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Operational activities of the United Nations for international development cooperation

Analysis of the funding of operational activities for development of the United Nations system for 2009

Report of the Secretary-General

Summary

Contributions

No real growth in overall contributions compared to 2008

Total contributions to operational activities for development of the United Nations system in 2009 amounted to some $21.9 billion, the same in real terms as in 2008 (deflation in 2009 accounted for lower nominal figures) and accounted for about 18 per cent of total official development assistance (ODA), excluding debt relief.

Decline in humanitarian assistance-related funding offset by increase in development-related funding

About 65 per cent of funding was directed to longer-term development-related activities against 35 per cent to activities with a humanitarian-assistance focus. Contributions for development-related activities (excluding local resources from programme countries) increased by 8.1 per cent in real terms in 2009; were local resources from programme countries included, the increase would have been 4.7 per cent. However, funding for humanitarian assistance, a volatile item, declined by 7.8 per cent.

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** E/2011/100.

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Longer-term funding trends positive

In the period from 1994 to 2009, total contributions for operational activities for development of the United Nations system grew at a faster rate than both total ODA and ODA from the States members of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC). Total ODA (excluding debt relief) in 2009 as reported by OECD/DAC was $124 billion.

Funding base broadened

The funding base for operational activities for development broadened significantly between 1994 and 2009 with the share of multilateral organizations (excluding the European Commission) and private sources of total contributions increasing from 7 to 19 per cent. While the absolute volume of direct contributions of OECD/DAC countries increased by 141 per cent in real terms between 1994 and 2009, their overall share of total funding for operational activities for development declined from 76 to 63 per cent.

United Nations development system the largest multilateral partner of OECD/DAC countries

Some 33 per cent of all direct contributions by OECD/DAC countries to the multilateral system in 2009 were channelled through the United Nations development system, making the Organization the largest multilateral partner of DAC countries.

Contributions from developing countries growing

Contributions from developing countries (excluding local resources) for operational activities for development were $679 million in 2009, evenly divided between core and non-core funding. Contributions from developing countries grew by some 75 per cent in real terms between 2005 and 2009.

Growing imbalance between core and non-core funding

Some 27 per cent of total funding for operational activities for development in 2009 was in the form of core resources, with the remaining 73 per cent in the form of non-core contributions characterized by varying degrees of restrictions with regard to their application and use. Core funding declined by 4.3 per cent in real terms, all of which was humanitarian assistance related, while non-core funding increased by 1.7 per cent.

Non-core funding for development-related activities increased by some 4 1/2 times in real terms between 1994 and 2009 against a 2 per cent increase in core contributions. The share of core funding for development-related activities declined from 69 per cent in 1994 to 34 per cent in 2009. The average core funding for development-related contributions by all OECD/DAC countries combined similarly declined, from 72 to 47 per cent of the total.

Most of the increases in funding by non-DAC countries between 1994 and 2009 were in the form of local resources from programme countries for application in their own countries. Increases in funding by multilateral organizations (excluding the European Commission) and private sources were also mostly in the form of non-core resources.

Non-core funding highly fragmented

Some 88 per cent of non-core funding for development-related activities in 2009 was single donor and programme- and project-specific, thereby contributing to the fragmentation of resources flows, with a consequent impact on overall programme coherence, efficiencies and transaction costs. Pooled funding mechanisms such as thematic funds and multi-donor trust funds, including One United Nations Funds at the country level, have only recently begun to play a role in the overall financing of operational activities for development. About 12 per cent of non-core funding for development-related activities in 2009 was programmed through such pooled funding mechanisms, up from 9 per cent in 2008.

Burden-sharing among OECD/DAC countries

Ten OECD/DAC countries accounted for some 65 per cent of total core resources for development-related activities in 2009, with a significant difference in individual contributions if measured as a share of gross national income. If in 2009 all the OECD/DAC countries that contributed fewer resources than the existing median core development-related funding/gross national income (DEV/GNI) ratio for the group as a whole had covered these shortfalls with their existing non-core contributions, total core resource flows would have been 46 per cent higher. Some $1.4 billion, or 73 per cent, of the shortfalls of donors below the median core DEV/GNI ratio could be covered by donors shifting some or all of their existing non-core contributions to core contributions.

Predictability of resources flows

Annual changes in donor contributions can be quite significant, including as a result of volatility in exchange rates. The combined negative effect of fluctuations in contributions on the overall availability of resources has been limited during the recent period of general growth. However, this relative stability in overall resource availability seems to be the result of coincidence rather than of a well-functioning funding system that has built-in mechanisms to address the challenges that are intrinsic to a heavy dependency on annual voluntary contributions. By and large, the adoption of integrated strategic and multi-year financing frameworks by entities of the United Nations development system does not seem to have significantly advanced the predictability, reliability and stability of funding flows.

Expenditures

Some 69 per cent of total expenditures for programme activities at the country level

Of the total expenditures of $22.1 billion for operational activities for development (both development-related and humanitarian assistance) in 2009, some 69 per cent related to actual programme activities at the country level, with low-income countries accounting for 65 per cent of that share. The remaining 31 per cent of total expenditures related to global and regional programme activities and programme support and management.

Some $13.6 billion of the total expenditures of $22.1 billion were for development-related activities (excluding local resources from programme countries), of which 57 per cent, or $7.7 billion, was in the form of country programmable resources. The remaining 43 per cent related to global and regional programme

activities (19 per cent), programme support and management (17 per cent) and various other "non-attributed" activities. In addition, some $1.1 billion were spent at the country level in the form of local resources from programme countries themselves.

Low-income countries were the destination of some 71 per cent of total country programmable resources, with the top 10 recipients accounting for about 38 per cent.

Work of the United Nations development system only moderately concentrated

The United Nations development system as a whole is moderately concentrated, with 43 programme countries, or 30 per cent of the total, accounting for some 80 per cent of all country-level expenditures in 2009. In 64 programme countries, or some 44 per cent of the total, operational activities for development accounted for less than 10 per cent of total ODA in 2009.

In 2009, the entities of the United Nations development system that reported country-level expenditures together had 1,779 relationships with 148 programme countries. Some 6 per cent of those relationships were significant in financial terms, meaning that the respective entities were among the larger contributors that together accounted for 80 per cent of total ODA at the country level.

In 2009, some 35 per cent of operational activities for development were carried out by entities whose operations can be characterized by a degree of fragmentation that was below the average.

Core resources subsidize support costs of non-core funding

There is a significant difference in the distribution of organizations' total programme support and management costs between core and non-core funding sources. Consequently, the remaining shares of available resources for actual programme activities differ greatly as well: only 58 per cent for core funding as against 91 per cent for non-core funding. The cost recovery rate of 7 per cent applied by some entities would in some cases have to be doubled if all costs were to be equally distributed between core and non-core resources. In those instances, core-funded programme activities could increase significantly as a result.

Cost of coordination modest compared to total country programmable resources

The annual cost of coordination of operational activities for development of the United Nations system is estimated at some $237 million, or about 3 per cent of country programmable resources in 2009. While few evaluations and midterm reviews under the United Nations Development Assistance Framework address the issue of costs and benefits of coordination at the country level, currently available indications are that the benefits outweigh the costs.

Recommendations

The Economic and Social Council may wish to:

(a) **Draw the attention of the Executive Boards of the United Nations funds and programmes and the governing bodies of specialized agencies to the findings contained in the current report, including with regard to the overall predictability, reliability and stability of funding for operational activities for development;**

(b) Invite in this connection the Executive Boards of the funds and programmes and the governing bodies of specialized agencies to examine how these findings apply and are relevant for the funds and programmes and specialized agencies concerned with a view to identifying and addressing issues of common system-wide interest and concern, and to report back to the Council at its substantive session of 2012;

(c) Encourage in this connection the Executive Boards of the funds and programmes and the governing bodies of specialized agencies to review in particular the implications of the ever-growing imbalance between unrestricted core and highly fragmented restricted non-core funding for operational activities for development and the manner in which such imbalance may distort overall programme priorities that flow from the established mandates and priorities of the respective United Nations entities;

(d) Encourage donors to undertake consultations on how to improve burden-sharing of core funding for development-related activities of the United Nations system and, in particular, how more equal burden-sharing can be achieved by shifting non-core contributions to core contributions;

(e) Encourage the Executive Boards of the funds and programmes and the governing bodies of specialized agencies, as appropriate, to review whether the current underlying policy of incremental support-cost recovery of non-core funding remains valid, taking into account that business models and cost structures of entities differ, with a view to providing further guidance to the work of United Nations organizations in pursuit of standardization and harmonization of practices;

(f) Request the Secretary-General to conduct, every four years, an analysis of the costs and benefits of coordination of operational activities for development,

(g) Invite the Executive Boards of funds and programmes and governing bodies of specialized agencies to examine the overall management and cost efficiency of supporting and maintaining fragmented development cooperation relationships;

(h) Request the Secretary-General to continue to strengthen the coverage, timeliness, reliability, quality and comparability of system-wide data, definitions and classifications for financial reporting on operational activities for development.

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List of acronyms

CEB	United Nations Chief Executives Board for Coordination
DAC	Development Assistance Committee
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GNI	Gross national income
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
ITC	International Trade Centre
ITU	International Telecommunication Union
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization

UNIFEM	United Nations Development Fund for Women (now part of UN-Women)
UNODC	United Nations Office on Drugs and Crime
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNV	United Nations Volunteers
UNWTO	World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. Introduction

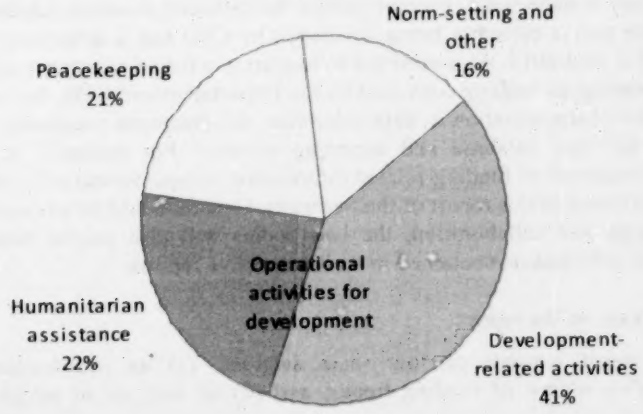
Operational activities for development

1. Operational activities for development of the United Nations system are defined as those activities of funds, programmes and agencies which have the specific objective of promoting development. A number of United Nations entities have specific mandates in this regard. Operational activities for development cover both longer-term development-related activities as well as activities with a humanitarian assistance focus.

2. All United Nations system-wide activities amounted to some $34.3 billion in 2009 of which operational activities for development accounted for about $21.9 billion or 63 per cent; peacekeeping operations for $7.3 billion or 21 per cent; and the global policy, advocacy, and norm- and standard-setting functions of the United Nations system, including related research, analytical and public information activities, for some $4.7 billion or 16 per cent (see figure I).[1]

3. In the absence of a more precise and harmonized system-wide classification, operational activities for development with a humanitarian assistance focus are calculated by including 24 per cent of all programme expenditures of UNICEF and 100 per cent of all expenditure of WFP, UNHCR, UNRWA and the Office for the Coordination of Humanitarian Affairs. All other expenditures on operational activities for development are considered in this report as development related.[2]

Figure I
United Nations system-wide activities, 2009
(Based on 2009 contributions to United Nations system-wide activities of $34.3 billion)



[1] Peacekeeping data were obtained from the annual report of the Secretary-General on the work of the Organization. The estimate for global policy, advocacy, and norm- and standard-setting functions was obtained by subtracting contributions for United Nations operational activities for development from total funding of the United Nations system as reported in the CEB biennial report on the budgetary and financial situation of the organizations of the United Nations system.

[2] UNICEF classified 24 per cent of its programme expenditures in 2009 as humanitarian or emergency operations, all non-core funded.

Analytical focus

4. In accordance with General Assembly resolutions 35/81, 59/250, 62/208, 63/232, 63/311 and 64/289, the present report of the Secretary-General provides an analysis of core and non-core contributions and expenditures for operational activities for development of the United Nations system for the year 2009. The report also includes reviews of several other important funding issues with particular focus on the following:

(a) Predictability of core and non-core resources flows, including the impact of exchange-rate fluctuations;

(b) Support-cost recovery relating to non-core funding flows;

(c) Concentration and fragmentation of the United Nations development system at the country level;

(d) Cost of coordination of the United Nations development system.

System-wide reporting: opportunities and challenges

5. There are currently three main actors involved in system-wide reporting on funding for the United Nations system: the United Nations Department of Economic and Social Affairs (hereafter "the Department") and OECD/DAC, which focus on operational activities for development each from its unique perspective, and CEB, with its more general focus on the overall budgetary and financial situation of the organizations of the United Nations system.

6. With regard to access to information, in resolution 63/311 the General Assembly requested the Secretary-General to establish a central repository of information on operational activities for development of the United Nations system. This central repository is expected to become part of the financial statistics database and reporting system that is currently being developed by CEB and is scheduled to become operational in mid-2012. As part of the follow-up to a recent expert meeting on system-wide reporting on funding convened by the Department and CEB, the two bodies plan to achieve harmonization in data collection and enhanced timeliness in reporting through the new database and reporting system.[3] For example, it is envisaged that the timeliness of funding-related information on operational activities for development published in this report of the Secretary-General could be advanced by one year. Through this collaboration, the two bodies will also pursue better reconcilability of the information contained in their respective reports.

Structure and coverage of the report

7. The present report consists of four main sections: (a) an introduction; (b) an overview; (c) a review of funding trends; and (d) an analysis of selected funding issues.

8. The current report focuses on the 36 United Nations system entities that received funding for operational activities for development in 2009. These entities

[3] See the box in annex I for further details on the expert meeting.

carry out by far the largest share (over 95 per cent) of operational activities for development.[4]

Core and non-core resources

9. Operational activities for development are funded by a combination of so-called core and non-core resources. Core resources are those that are commingled without restrictions and whose use and application are directly linked to the strategic mandates, guidelines, priorities and goals established by the respective intergovernmental governing bodies.

10. Non-core resources are resources that are generally restricted with regard to their use and application as determined by the contributor. The degree to which the use and application of non-core resources are subject to and aligned with the mandates, guidelines, priorities and goals established by intergovernmental governing bodies is at best indirect.

11. Core, or unrestricted, aid is generally seen as a more efficient way of building effective partnerships with programme countries in the delivery of operational activities for development. Restricted aid in the form of non-core resources, on the other hand, is often seen as distorting programme priorities by limiting the degree to which governing bodies and programme countries themselves are involved in priority-setting through selection, design and implementation of projects and programmes.

12. Financing in the form of non-core resources currently accounts for some 73 per cent of total contributions (based on 2009 data) and has grown significantly over time.

Use of terminology within the United Nations system

13. Individual United Nations entities and OECD/DAC use different terms to define core and non-core contributions. Inconsistent meaning and use of such terms can be an important constraint in system-wide reporting on funding flows (see the technical note on definitions, sources and coverage in annex I). The general view within the United Nations system, however, is that it would be too costly and impractical to pursue full harmonization of these terms at the level of individual entities. Instead, the focus should be on ensuring that all entities can map their own terminology to the terminology used in system-wide reports on funding (see table 2 in annex I on the mapping of terms used by different United Nations entities and OECD/DAC for contributions).

Comparability of reporting

14. There are several differences in the way in which OECD/DAC and the United Nations system report on contributions and expenditures for United Nations operational activities for development.

15. One of the most significant differences in system-wide reporting by the Department and OECD/DAC at present relates to the treatment of non-core funding

[4] These 36 entities form part of a total of 54 United Nations entities core contributions which can be defined as ODA by OECD/DAC. See the list in the DAC Statistical Reporting Directives, June 2010, annex 2, available from www.oecd.org/dac/stats/dacdirectives.

flows by OECD/DAC countries. OECD/DAC defines these resources as earmarked bilateral contributions channelled through United Nations entities while the Department considers this funding as multilateral.

16. The table in annex II reconciles 2009 contribution figures presented in the present report with the ones published by OECD/DAC.

Current versus real terms

17. In this report, comparisons and trend analyses in "real terms" are based on nominal amounts expressed in constant 2008 United States dollars by applying OECD/DAC deflators which take into account the combined effect of inflation and exchange rate movements. For the year 2009, the discounting factor was 0.9703, i.e., $1 current 2009 = 1/.9703 in constant 2008 terms, corresponding to an overall deflationary trend during the year.

II. Overview

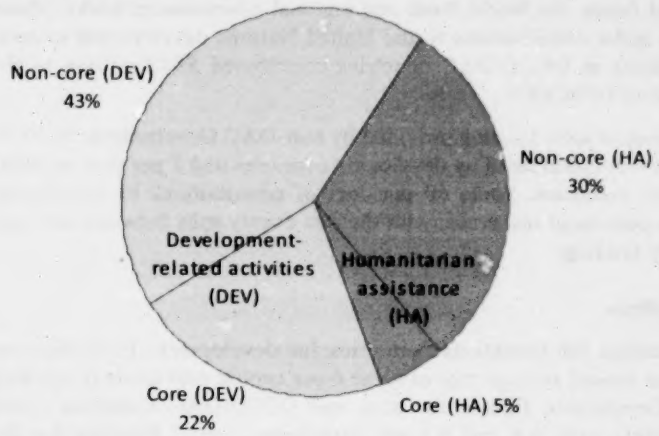
18. The present section provides an overview of selected aspects of the funding for operational activities for development of the United Nations system. Sections III and IV provide a more detailed analysis of key funding trends, issues and perspectives.

A. Contributions in 2009

19. Total contributions to the United Nations development system for operational activities for development amounted to some $21.9 billion in 2009, with development-related funding accounting for 65 per cent, or $14.2 billion, and humanitarian assistance-related activities for 35 per cent, or $7.7 billion (see figure II and table 4).[5] Contributions for humanitarian assistance-related activities were overwhelmingly non-core while about one third of development-related funding was in the form of core resources.

[5] In the absence of a more precise and harmonized system-wide classification, operational activities for development with a humanitarian assistance focus are calculated by including 24 per cent of all programme expenditures of UNICEF and 100 per cent of all expenditures of WFP, UNHCR, UNRWA and the Office for the Coordination of Humanitarian Affairs. All other expenditures on operational activities for development are considered in this report as development related.

Figure II
United Nations operational activities for development, 2009
(Based on 2009 contributions of $21.9 billion)

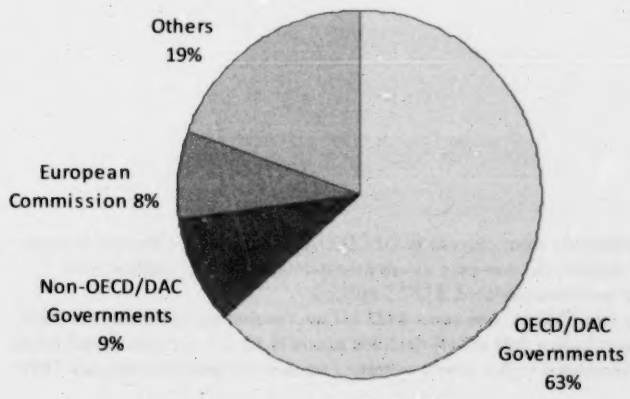


I. Sources of contributions

20. Some 73 per cent of the $21.9 billion in total contributions in 2009 were provided by Governments, both DAC and non-DAC, with the European Commission and other multilateral institutions (including global funds), non-governmental organizations and public-private partnerships accounting for the remaining 27 per cent (see figure III).

21. The absolute volume of direct contributions of OECD/DAC countries to the United Nations development system increased by 141 per cent in real terms between 1994 and 2009, but their overall share of the total funding declined from 76 to 63 per cent.

Figure III
Sources of funding for operational activities for development, 2009
(Total funding in 2009: $21.9 billion)



22. Accordingly, the resource base of the United Nations development system has broadened and become more diversified over time. In this connection, OECD/DAC countries also channel significant resources to the United Nations development system indirectly through other multilateral institutions such as the European Commission, global funds, the World Bank and regional development banks. These institutions in turn make contributions to the United Nations development system. Also, in 2009, citizens in OECD/DAC countries contributed $830 million to the national committees of UNICEF.[6]

23. Of the 9 per cent of total funding provided by non-DAC Governments in 2009, roughly 93 per cent was contributed by developing countries and 7 per cent by other non-DAC developed countries. Some 60 per cent of contributions by developing countries were non-core local resources, with the rest evenly split between core and non-core third-party funding.

Trends in contributions

24. Total contributions for operational activities for development grew between 2004 and 2009 at an annual average rate of some 6 per cent in real terms (excluding local resources). Comparable figures for total and OECD/DAC countries' ODA (excluding debt relief) were 6.4 and 6.1 per cent respectively.[7] Funding for the United Nations development system (both development-related activities and humanitarian assistance) therefore grew at a slightly slower pace than both total and OECD/DAC countries' ODA in the most recent five-year period.

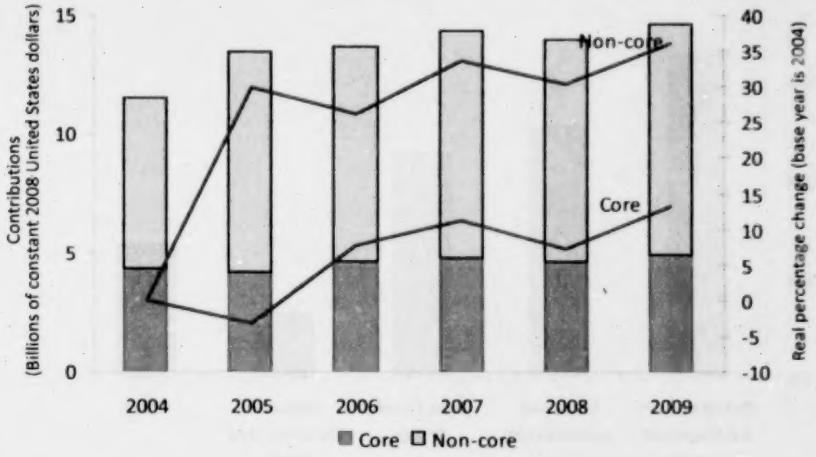
25. Total development-related contributions grew by 27 per cent in real terms between 2004 and 2009, with core and non-core funding increasing by 13 and 36 per cent respectively (see figure IV). Between 2000 and 2009, contributions to operational activities for development of the United Nations system grew at a significantly faster rate than in the preceding decade, as did ODA flows from OECD/DAC countries, a trend which coincides with the period following the adoption of the Millennium Development Goals.[8]

[6] The $830 million in contributions from citizens in OECD/DAC countries are broken down as follows: (a) core, $481.7 million; (b) non-core development-related, $226.2 million; and (c) non-core humanitarian assistance-related, $122.5 million.

[7] Total ODA as reported by OECD/DAC was some $123 billion (excluding debt relief) in 2009.

[8] For example, total ODA (excluding debt relief) declined annually by 2.1 per cent in real terms between 1994 and 1999, compared with a yearly average increase of 6 per cent between 1999 and 2009.

Figure IV
Trends in contributions to development-related activities, 2004-2009

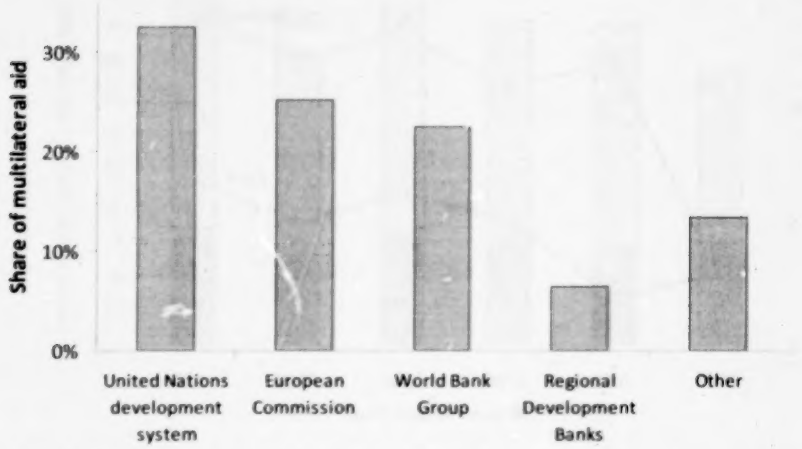


B. United Nations development system share of multilateral aid

26. The United Nations development system remains the single largest recipient of direct multilateral funding by OECD/DAC countries when core and non-core contributions are combined (see figure V). This share is currently estimated at some 33 per cent and would be even higher if indirect contributions through other multilateral actors were also taken into account.

27. The large United Nations development system share of multilateral aid flows confirms the relevance and importance of the United Nations in international multilateral development cooperation.

Figure V
Channels of multilateral aid, 2009[a]
(Total multilateral aid in 2009: $57.3 billion)

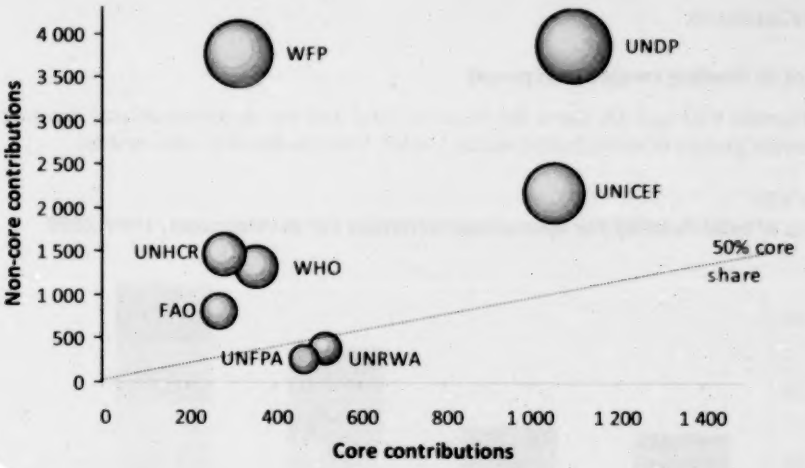


[a] Data obtained from the OECD Creditor Reporting System. As explained in annex II, reporting on contributions, particularly non-core funding by OECD/DAC and the Department, differs in some significant ways. The United Nations share of multilateral aid presented in figure IV, for example, includes non-core contributions defined by OECD/DAC as "multibilateral" and are not included in its reporting on funding for the United Nations development system.

1. Largest United Nations entities

28. Funding for operational activities for development is concentrated in a relatively small number of United Nations entities, with the top eight, i.e., UNDP, WFP, UNICEF, WHO, UNHCR, FAO, UNRWA and UNFPA, accounting for some 84 per cent of all contributions in 2009. The non-core component of funding for all the entities except UNRWA and UNFPA exceeds the core component by a significant margin (see figure VI). The other 28 entities, or 75 per cent of those covered by the current report, accounted for the approximately 16 per cent of the remaining funding to the United Nations development system in 2009. From a funding perspective, this could be seen as an indicator of fragmentation of operational activities for development.

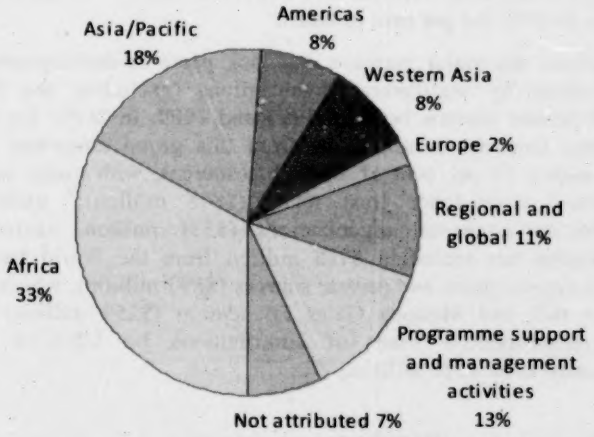
Figure VI
Contributions to the main United Nations entities, 2009
(Millions of current United States dollars)



2. Destination of funding

29. Some 69 per cent of the $22.1 billion in expenditures for operational activities for development in 2009 concerned programme activities at the country level (see figure VII), of which 33 per cent, or $7.5 billion, related to Africa. Accordingly, some 31 per cent of total expenditures concerned programme activities at the regional and global levels, programme support and management, and activities that could not be attributed to any specific category.

Figure VII
Use and destination of expenditures for operational activities for development, 2009
(Total expenditures in 2009: $22.1 billion)



III. Review of funding trends

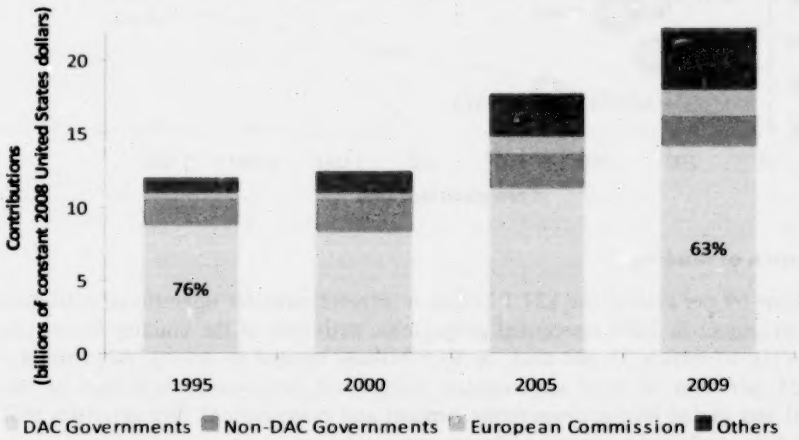
30. This section examines key funding trends in greater detail.

A. Contributions

1. Sources of funding (major groupings)

31. Figures VIII and IX show the trend in total and development-related funding from major groups of contributors to the United Nations development system.

Figure VIII
Sources of total funding for operational activities for development, 1995-2009



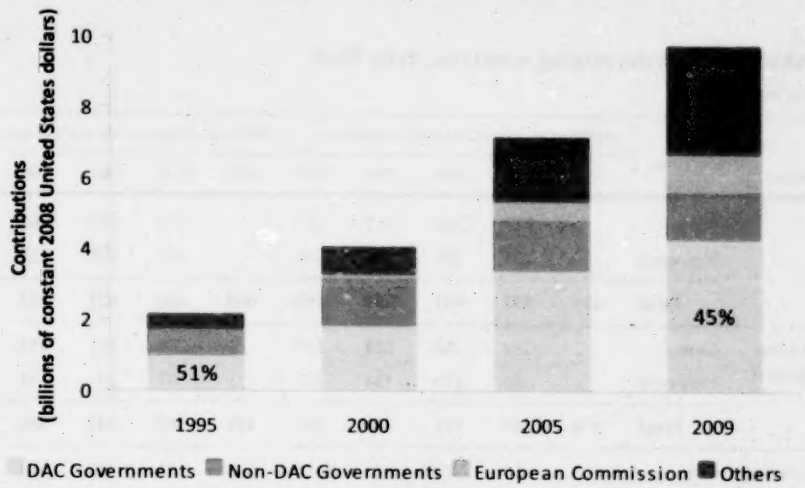
32. Figure VIII shows that total funding for operational activities for development grew in real terms from some $12 billion in 1995 to about $22 billion in 2009. In 1995, OECD/DAC countries, as a group, were the main contributor to the United Nations development system (76 per cent of total). However, by 2009, there were four distinct groups of contributors, with OECD/DAC countries still the largest, but not as dominant as in 1995 (63 per cent of total).

33. Figure IX shows the major increase that took place in development-related non-core contributions by multilateral organizations (excluding the European Commission) and private sources between 1995 and 2009. In 2009, for example, development-related non-core contributions from this group amounted to some $2.9 billion, or roughly 31 per cent of all such resources, with major sources of funding as follows: multi-donor trust funds ($808 million);[9] global funds ($379 million); intergovernmental organizations ($331 million, excluding the European Commission but including $118 million from the World Bank); and non-governmental organizations and private sources ($893 million), which includes funding from the Bill and Melinda Gates Foundation ($259 million) and the non-core, development-related share of contributions by UNICEF national committees (estimated to be $226 million).[10]

[9] Most such contributions come from OECD/DAC member countries.

[10] See the box in annex I for further details.

Figure IX
Sources of non-core funding for development-related activities, 1995-2009



34. This rapid growth in development-related non-core contributions of multilateral institutions (including global funds), non-governmental organizations and public-private partnerships is the most significant funding trend of the recent past.

35. The relative share of total funding by non-DAC Governments has declined significantly since 2000, in part due to significant decreases in local resources from programme countries for activities in their own country. This decrease is a factor in the decline in the overall rate of growth of total development-related funding in recent years.

Contributions from developing countries

36. Contributions from developing countries for operational activities (excluding local resources) were some $679 million in 2009. About half of this funding was in the form of general core resources to the respective entities and half in the form of non-core contributions.[11]

[11] These contributions to operational activities for development are equivalent to some 4 per cent of the estimated total aid provided by developing countries in the form of South-South development cooperation. The 2010 *International Development Cooperation Report* (ST/ESA/326) defines South-South development cooperation as concessional loans and grants (and technical cooperation) provided for development purposes among members of the Group of 77 and China. This form of development cooperation was estimated to amount to some $15.3 billion in 2008, up from $8.6 billion in 2006. These figures include South-South development cooperation involving Mexico, which has been a member of OECD since 1994 but remains a member of the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (G 24). South-South development cooperation was therefore equivalent to nearly 10 per cent of total ODA flows reported by OECD/DAC for 2008, which do not include South-South cooperation for development. The top three providers (Saudi Arabia, China and the Bolivarian Republic of Venezuela) accounted for some 75 per cent of all Southern development cooperation in 2008. It is projected that total South-South development cooperation flows could reach $20 billion in 2010.

37. Contributions from developing countries to the United Nations development system grew by some 75 per cent in real terms between 2005 and 2009.

Table 1
Contributions from developing countries, 2005-2009
(Excluding local resources)

Contributions		*(Millions of current United States dollars)*					*(Millions of constant United States dollars)*					*Percentage change 2006-2009*
		2005	*2006*	*2007*	*2008*	*2009*	*2005*	*2006*	*2007*	*2008*	*2009*	
Total	Core	..	227	298	767	337	..	258	314	767	347	35
	Non-core	..	125	293	226	344	..	142	309	226	354	149
	Total	**430**	**352**	**591**	**992**	**679**	**499**	**400**	**622**	**992**	**701**	**75**
Longer-term development	Core	..	211	286	254	319	..	239	301	254	329	37
	Non-core	..	56	229	134	147	..	63	241	134	151	138
	Total	**370**	**267**	**515**	**388**	**465**	**429**	**303**	**542**	**388**	**480**	**58**
Humanitarian assistance focus	Core	..	16	12	513	18	..	18	12	513	18	0
	Non-core	..	69	64	92	197	..	79	68	92	203	157
	Total	**60**	**86**	**76**	**605**	**215**	**70**	**97**	**80**	**605**	**221**	**128**

2. United Nations share of total and multilateral official development assistance flows

Total official development assistance flows

38. Total ODA flows as reported by OECD/DAC[12] in 2009 were $123.6 billion (excluding debt relief) (see table 2).

Table 2
Total ODA flows, 2009
(Billions of United States dollars)

Type of aid	*Volume*
Bilateral aid from OECD/DAC member countries (excluding debt relief)	80.6
Bilateral aid from non-OECD/DAC countries	5.6
Multilateral aid (OECD/DAC and non-OECD/DAC countries)	36.3
Multilateral aid from non-OECD/DAC countries	1.1
Total	**123.6**[a]

Source: OECD/DAC statistics, table ODA by donor.

[a] The 2010 *International Development Cooperation Report* estimated that private flows during 2009 amounted to $25 billion. In addition, the report estimated that South-South development cooperation amounted to $16.9 billion in 2009, which would bring total aid flows to about $165 billion.

[12] There are currently 20 non-OECD/DAC donors that report their aid flows to the DAC: Cyprus, Czech Republic, Estonia, Hungary, Iceland, Israel, Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Poland, Romania, Saudi Arabia, Slovakia, Slovenia, Taiwan (Province of China), Thailand, Turkey, United Arab Emirates.

39. Operational activities for development of the United Nations system were therefore equivalent to some 15 per cent of OECD/DAC-reported total ODA flows in 2009 (if private aid flows are included; see footnote 9) and some 18 per cent of total ODA (if private flows are excluded).

40. Table 3 shows that between 1994 and 2009, contributions to operational activities for development, including local resources, grew faster in real terms than both total ODA and ODA from OECD/DAC countries (both excluding debt relief), as reported by OECD/DAC (4.6 per cent versus 3.4 per cent and 3.1 per cent, respectively). However, since 2004, total ODA flows have grown slightly faster in real terms than both OECD/DAC countries' ODA and funding for United Nations operational activities for development (excluding local resources) (6.4 per cent versus 6.1 per cent and 6 per cent, respectively).

Table 3
Contributions to United Nations operational activities for development and official development assistance, 1994-2009[a]

(Percentage annual growth in real terms)

		1994-1999	*2000-2004*	*2004-2009*	*1994-2009*
United Nations	Development-related activities (DEV)	3.3	7.6	4.9	5.2
	Humanitarian assistance (HA)	0.5	5.1	5.2	3.6
	Operational activities for development (DEV + HA)	2.2	6.7	5.0	4.6
	Operational activities for development (DEV + HA, excluding local resources)	0.4	7.5	6.0	4.6
Official development assistance (ODA)	ODA from DAC countries (excluding debt relief)	-0.5	3.8	6.1	3.1
	Total ODA	-1.7	5.0	5.5	2.9
	Total ODA (excluding debt relief)	-0.6	4.5	6.4	3.4
	Core multilateral ODA	-1.4	5.3	4.4	2.8

Source: OECD/DAC statistics.

[a] As reported by OECD/DAC. In 2009, total ODA was $123 billion (excluding debt relief).

Multilateral aid flows

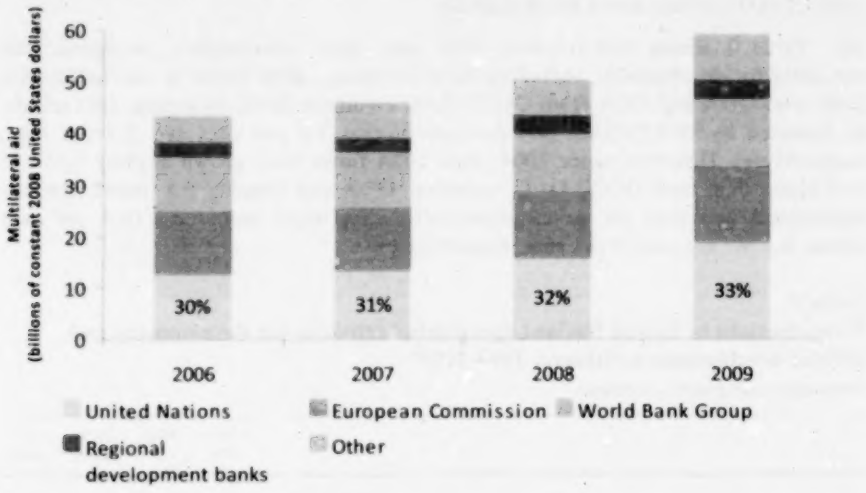
41. As shown in figure X, total aid by OECD/DAC countries and channelled through the multilateral system in 2009 amounted to some $57.3 billion.[13] The United Nations development system accounted for some $18.7 billion of the total, or 33 per cent, slightly higher than its 30 per cent share in 2006.[14]

42. The core component of aid channelled through the multilateral system was approximately $36.3 billion, or 63 per cent of the total. The remaining 37 per cent, or $21 billion, was in the form of non-core contributions, of which the United Nations development system accounted for $12.5 billion.

[13] As reported by OECD/DAC.

[14] This figure is lower than the $21.9 billion reported by the United Nations system primarily because it excludes contributions by the private sector and local resources. See annex II for a more comprehensive review of differences in reporting between OECD/DAC and the United Nations system.

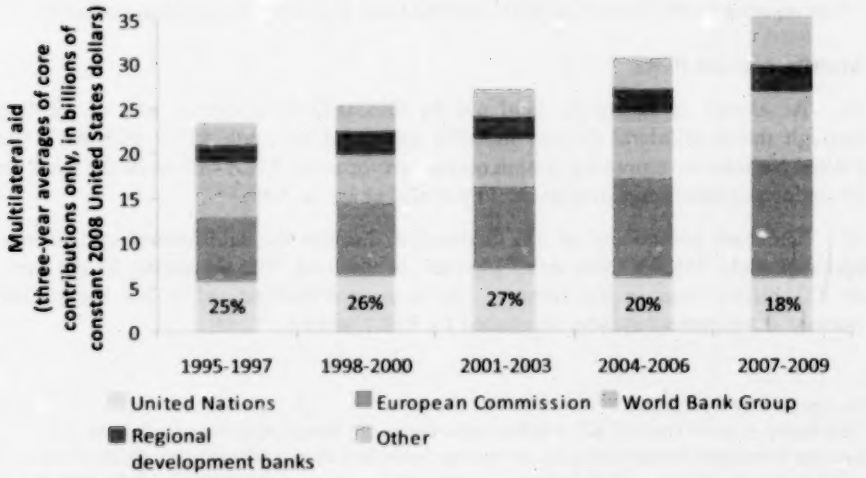
Figure X
Contributions to the United Nations development system as a share of total multilateral aid by OECD/DAC countries, 2006-2009



Source: OECD Creditor Reporting System.

43. Although the overall share of the United Nations development system of total multilateral aid from OECD/DAC countries has been increasing slightly in recent years, its share of core contributions has been steadily declining in relative terms in the last decade, as reflected in figure XI. This share averaged 18 per cent in the period 2007-2009.

Figure XI
Core contributions to the United Nations development system as a share of core multilateral aid by OECD/DAC countries, 1995-2009

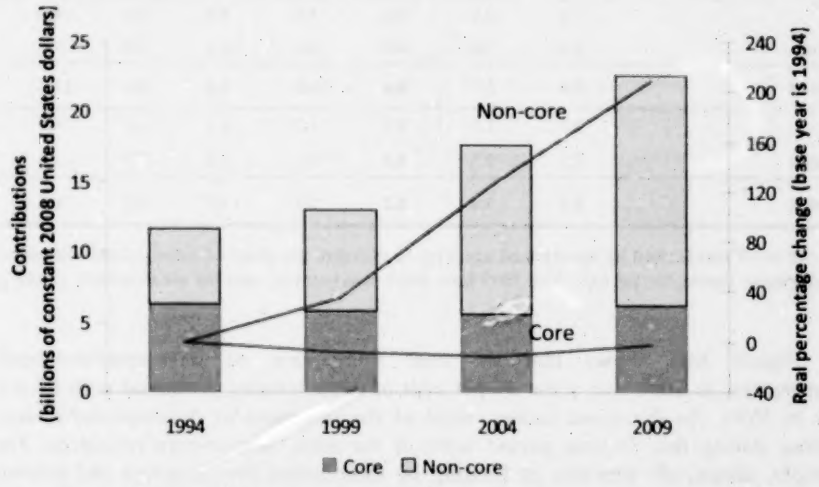


Source: OECD/DAC statistics.

3. Core and non-core resources

44. Figure XII and table 4 show that long-term funding trends for operational activities for development have been favourable. Total funding almost doubled in real terms between 1994 and 2009, with non-core contributions increasing more than threefold. The annual growth in total funding to the United Nations development system during this 15-year period was some 4.6 per cent in real terms.

Figure XII
Trends in total contributions for operational activities for development, 1994-2009



45. The growth has been particularly strong for development-related non-core contributions, which have increased by more than 4 1/2 times in real terms, from $2.1 billion in 1994 to $9.7 billion in 2009, or over 10 per cent annually. Table 4 shows that this significant increase in non-core funding has not been at the expense of core contributions for development-related activities. Contributions for humanitarian assistance-related activities, although generally more subject to change from year to year, also experienced significant growth between 1994 and 2009 of 70 per cent in real terms, with non-core funding increasing by 110 per cent. Core contributions for humanitarian assistance-related activities annually ranged between $1.0 and 1.2 billion in the period 1994-2009.

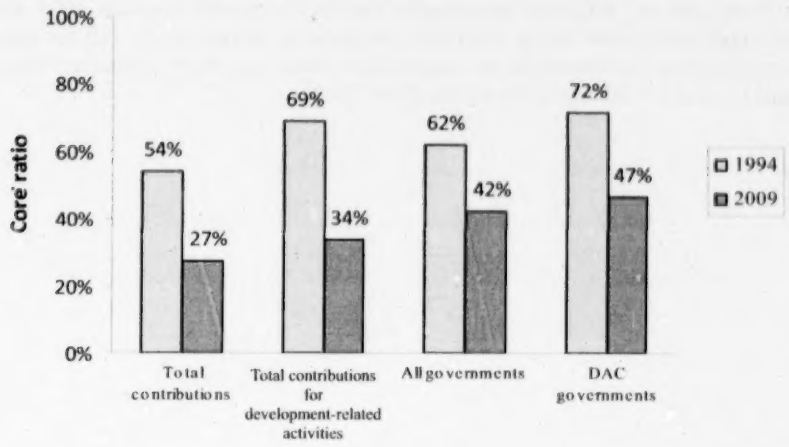
Table 4
Contributions, 1994-2009

		(Billions of current United States dollars)				*(Billions of constant United States dollars)*				
	Contributions	*1994*	*1999*	*2004*	*2009*	*1994*	*1999*	*2004*	*2009*	*Percentage change 1994-2009[a]*
Total	Core	4.5	4.0	4.6	6.0	6.3	5.7	5.5	6.1	-2
	Non-core	3.8	5.0	10.2	15.9	5.3	7.2	12.1	16.4	208
	Total	**8.3**	**9.1**	**14.8**	**21.9**	**11.6**	**12.9**	**17.6**	**22.5**	**94**
Longer-term development	Core	3.4	2.9	3.6	4.8	4.8	4.2	4.3	4.9	2
	Non-core	1.5	2.8	6.0	9.4	2.1	4.0	7.1	9.7	355
	Total	**5.0**	**5.7**	**9.6**	**14.2**	**6.9**	**8.1**	**11.5**	**14.6**	**111**
Humanitarian focus	Core	1.1	1.1	1.0	1.2	1.5	1.6	1.2	1.2	-16
	Non-core	2.3	2.3	4.2	6.5	3.2	3.2	5.0	6.7	110
	Total	**3.3**	**3.4**	**5.2**	**7.7**	**4.7**	**4.8**	**6.2**	**7.9**	**70**

[a] Changes made in the coefficients used by specialized agencies to measure the share of assessed contributions for operational activities for development during the period 1994-2009 have been incorporated into the recalculation of the growth rate for core funding.

46. Figure XIII shows that the core component of development-related contributions in 2009 was some 34 per cent of contributions compared with 69 per cent in 1994. As discussed earlier, most of the increases in development-related funding during this 15-year period were in the form of non-core resources. For example, almost all increases in funding by multilateral organizations and private sources were in the form of non-core resources. The core component of contributions by OECD/DAC countries also decreased significantly, from 72 per cent in 1994 to 47 per cent in 2009.

Figure XIII
Change in core component of total contributions, 1994 and 2009



Preliminary data for 2010

47. According to preliminary figures for 2010, core contributions to the United Nations development system from OECD/DAC countries and the European Commission declined by some 5.7 per cent in real terms, despite an overall increase of 6.5 and 2.7 per cent in OECD/DAC countries' ODA and total multilateral aid respectively. This projected decline in core resources for operational activities for development in 2010 follows the decline of 4.3 per cent in real terms experienced in 2009, all of which concerned humanitarian assistance-related activities.

48. Estimates are not yet available for the volume of non-core funding flows to the United Nations development system in 2010. The Department plans to issue a funding update in June 2011 prior to the substantive session of the Economic and Social Council, including an estimate of non-core contributions for operational activities for development in 2010.

4. Non-core funding modalities

49. As shown in figure XIV and table 5, some 88 per cent of non-core funding in 2009, including local resources, was single-donor and programme- and project-specific. This includes non-core contributions for so-called joint programmes at the country level, whose total value at the end of 2009 was some $170 million.

50. Contributions to pooled funding arrangements like multi-donor trust funds, including One UN Funds and thematic funds, accounted for the remaining 12 per cent of non-core resource flows in 2009. Pooled funding therefore remains a small share of total non-core resource flows to the United Nations development system.

51. The exponential growth in single-donor and programme- and project-specific contributions, in particular, corresponds with a high degree of fragmentation of funding for operational activities for development and has resulted in an ever-larger share of resources being channelled through the United Nations system but not subject to direct programmatic control by governing bodies of United Nations entities.

Figure XIV
Non-core funding modalities for development-related activities, 2009

(Total non-core funding for development-related activities: $9.4 billion)

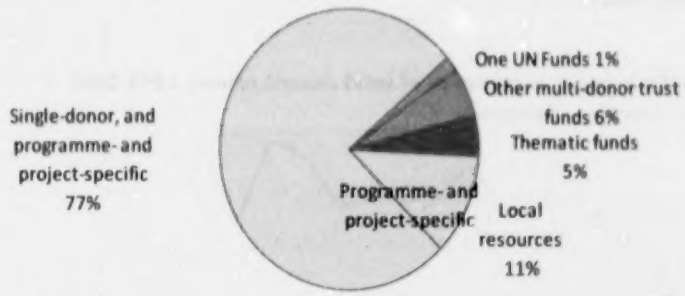

Single-donor, and programme- and project-specific 77%
One UN Funds 1%
Other multi-donor trust funds 6%
Thematic funds 5%
Programme- and project-specific
Local resources 11%

Table 5
Trends in the composition of non-core funding modalities for development-related activities, 2005-2009

(Percentage)

	2005	2006	2007	2008	2009
Single-donor, programme- and project-specific contributions	77	71	70	73	77
Local resources	15	22	22	16	11
Multi-donor trust funds[a]	3	3	4	6	7
Thematic trust funds	5	4	4	4	5
Total	**100**	**100**	**100**	**100**	**100**

[a] Includes One UN Funds.

52. As further discussed in this report (see sect. IV.B), core resources subsidize part of the cost of managing non-core funding. As a result, the share of core contributions available for programme activities at the country level is significantly lower than the corresponding share of non-core funding.

53. Many reviews in the past have highlighted that the growth in fragmented non-core funding has resulted in a corresponding increase in transaction costs for United Nations entities. Negotiating individual funding agreements, tracking and reporting programming and financial data for hundreds or even thousands of individual projects, and reporting according to widely varying sets of requirements, for example, all add significant costs that fall outside of the Organization's basic operating systems. As a result, entities manage both large and small supplementary contributions in time frames inconsistent with their basic managerial processes.

Local resources

54. Local resources from programme countries for operational activities for development in their own countries reached a peak in 2007, when they accounted for some 11 per cent of all contributions to the United Nations development system, but they have since been in steep decline. In 2009, local resources from programme countries were some 6 per cent of total contributions, a level comparable to the mid-1990s (see figure XV).

Figure XV
Trend in local resources component of total contributions, 1994-2009

(Millions of 2008 constant United States dollars)

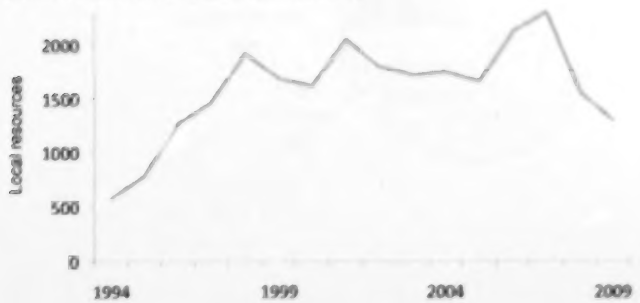


Table 6
Trends in local resources, 2006-2009
(Millions of current United States dollars)

United Nations entity	*2006*	*2007*	*2008*	*2009*
UNDP	1 363	1 553	1 038	748
UNICEF	32	39	51	47
UNFPA	26	34	27	21
WFP	119	91	97	151
UNODC	23	40	108	48
FAO	61	113	41	57
UNESCO	160	124	62	34
ICAO	112	142	116	111
Other	56	42	52	37
Total	**1 951**	**2 178**	**1 592**	**1 254**

55. Almost all the decline in local resources from programme countries between 2007 and 2009 can be attributed to UNDP where such funding decreased from nearly $1.6 billion to about $748 million (see table 6), as projected in the UNDP strategic plan 2008-2013. In 2007, local resources from programme countries accounted for nearly one third of all contributions to UNDP.

Multi-donor trust funds

56. In resolution 64/289, the General Assembly requested the Secretary-General to include in the present report information on all existing multi-donor trust funds and thematic trust funds, including information on their mandates, performance and governance structures. This comprehensive information can be found on the website of the Development Cooperation Policy Branch of the Office for Economic and Social Council Support and Coordination (www.un.org/esa/coordination/dcpb_stat.htm).

57. The increased use of multi-donor trust funds in recent years has been a direct result of efforts by the international community to promote enhanced aid effectiveness and greater national ownership and leadership of development cooperation. Multi-donor trust funds are seen as an effective instrument to counterbalance the highly fragmented non-core resource flows to the United Nations development system.

One UN Funds

58. One UN Funds are multi-donor trust funds established specifically to support the delivering-as-one pilot initiatives in programme countries by providing principally unearmarked resources to cover funding gaps in One UN Programmes.

59. The establishment of One UN Funds represents a significant innovation to further system-wide coherence of the work of the United Nations system for development in programme countries under national leadership.

60. The General Assembly, in resolution 64/289, mandated an independent evaluation of the "delivering as one" experience, including the One UN Funds, for submission at its sixty-sixth session.

61. Table 7 shows the amounts channelled through One UN Funds in nine programme countries at the end of 2009, including comparison with total ODA as reported by OECD/DAC and development-related expenditures of the United Nations system.

Table 7
Recipients of One UN Funds, 2009

Recipient country	*Total ODA*[a]	*Total United Nations expenditures*	*One UN Fund*	*Share of total ODA*	*Share of total United Nations expenditures*
	(millions of United States dollars)			*(percentage)*	
Albania	358	19	3.6	1.0	18.5
Cape Verde	196	11	2.4	1.2	20.9
Malawi[a]	772	123	1.1	0.1	0.9
Mozambique	2 013	141	10.9	0.5	7.7
Pakistan	2 781	586	1.7	0.1	0.3
Rwanda	934	96	5.8	0.6	6.1
United Republic of Tanzania	2 934	165	16.4	0.6	9.9
Uruguay	51	36	6.7	13.3	18.4
Viet Nam	3 744	84	19.7	0.5	23.5
Total average	**13 784**	**1 262**	**68.3**	**0.5**	**5.4**

Source: OECD/DAC statistics, DAC table 2a.

[a] Malawi is not among the eight "delivering as one" countries, but has voluntarily adopted the approach.

62. The table shows that One UN Funds represent a very small share of both United Nations development-related expenditures and total ODA in five of the nine countries, suggesting that such pooled funding mechanisms have so far had limited impact on the ability to attract significant additional resource flows and to counterbalance the current fragmentation of non-core contributions. Only in Albania, Cape Verde, Uruguay and Viet Nam do One UN Funds account for more than 10 per cent of total country-level expenditures of the United Nations system. The share of One UN Funds of overall United Nations expenditures in the eight "delivering as one" countries and Malawi in 2009 was also just over 5 per cent, and only 0.5 per cent of total ODA.

5. Sources of funding (countries)

63. Table 8 shows the contributions of the top OECD/DAC countries and the European Commission to the United Nations development system in 2009 in terms of both core and non-core funding.[15] These contributions amounted to some $13.3 billion in 2009 or about 61 per cent of the total funding to the United Nations development system, with the core component representing 28.5 per cent. The United States of America was the largest OECD/DAC contributor of both core and non-core funding for operational activities for development in 2009, with the European Commission second.

[15] The European Commission is a member of OECD/DAC.

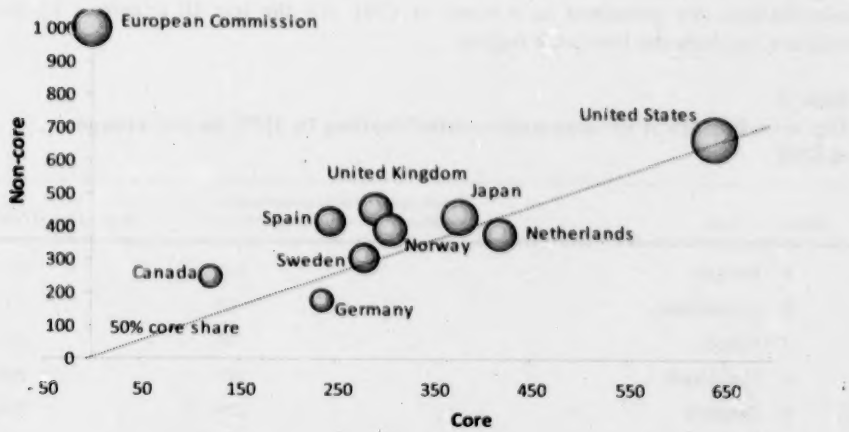
Table 8
Top contributors to operational activities for development, 2009[a]
(Millions of United States dollars)

Rank	*Donor*	*Core*	*Non-core*	*Total*	*Core share*
1	United States of America	754	3 443	4 197	18.0
2	European Commission	146	1 639	1 785	8.2
3	Japan	405	769	1 174	34.5
4	United Kingdom of Great Britain and Northern Ireland	376	696	1 073	35.1
5	Netherlands	558	476	1 034	53.9
6	Spain	298	676	973	30.6
7	Norway	421	480	901	46.7
8	Sweden	389	480	869	44.8
9	Canada	161	541	703	23.0
10	Germany	294	330	624	47.1
	Total	**3 802**	**9 530**	**13 333**	**28.5**

[a] Indirect contributions of Member States to the United Nations development system through funding modalities such as multi-donor trust funds are not included in these totals, but reported under the category of "not attributed" in figure VII and "others" in figure VIII.

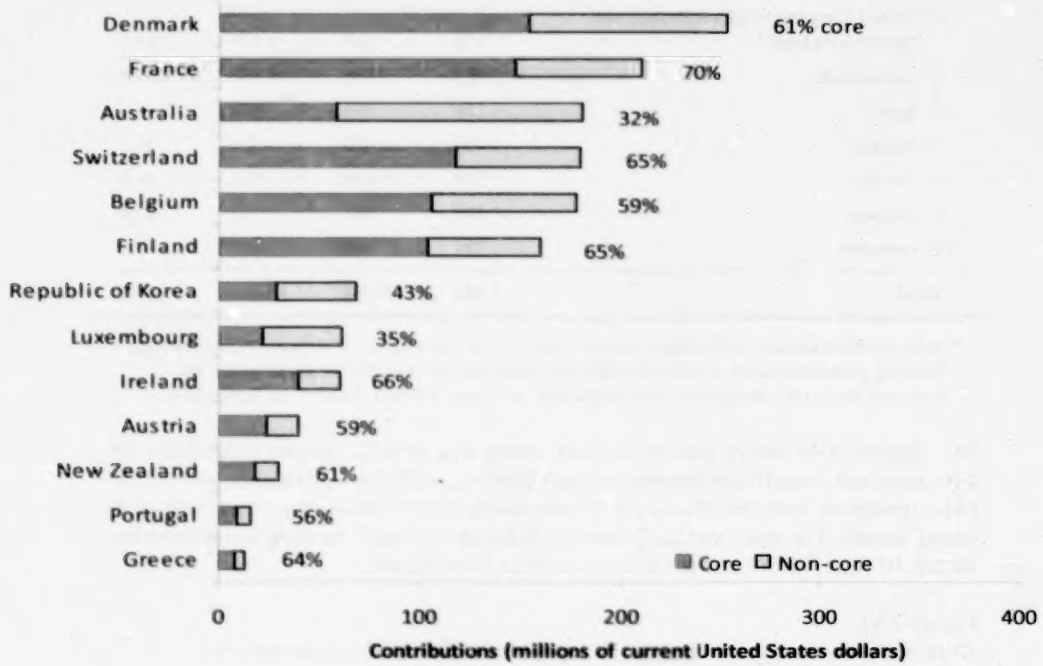
64. Figure XVI shows that the United States was also the largest contributor of both core and overall development-related funding, with the Netherlands second for core resources and the European Commission contributing the most non-core contributions. The non-core component of funding exceeded the core component for all top 10 contributors except Germany and the Netherlands.

Figure XVI
Core and non-core contributions of top 10 OECD/DAC contributors for development-related activities, 2009
(Millions of current United States dollars)



65. Figure XVII shows the ranking of other OECD/DAC countries in terms of their contributions to development-related activities of the United Nations development system in 2009. The core component of funding exceeded the non-core component for all contributors except Australia, the Republic of Korea and Luxembourg.

Figure XVII
Core component and total contributions of other OECD/DAC countries for development-related activities, 2009



66. Table 9 shows that Norway, Luxembourg and Sweden top the list when contributions are measured as a share of GNI. All the top 10 countries by this measure are from the European region.

Table 9
Top contributors of development-related funding in 2009, as percentage of GNI[a]

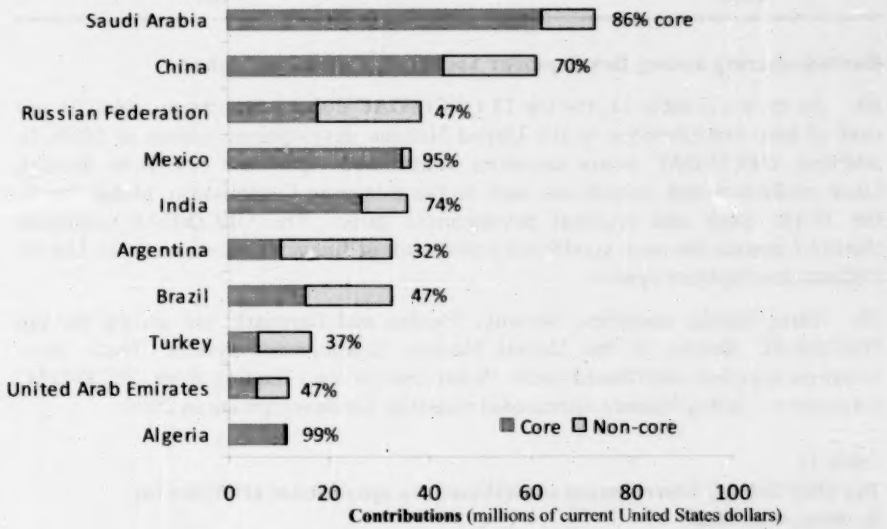
Rank	*Country*	*Development-related contributions (millions of United States dollars)*	*Percentage of GNI[b]*
1	Norway	694	0.17
2	Luxembourg	64	0.17
3	Sweden	580	0.13
4	Netherlands	797	0.10
5	Denmark	254	0.08

Rank	Country	Development-related contributions (millions of United States dollars)	Percentage of GNI[b]
6	Finland	160	0.07
7	Spain	658	0.04
8	Belgium	176	0.04
9	Switzerland	177	0.04
10	Ireland	67	0.03

[a] Excluding local resources from programme countries.
[b] Data on GNI obtained from the World Bank's world development indicators databank.

67. Figure XVIII shows that of the top 10 non-OECD/DAC countries contributing to the United Nations development system in 2009, five had a core funding component exceeding 50 per cent.

Figure XVIII
Core component and total contributions of top 10 non-OECD/DAC countries for development-related activities, 2009



68. Table 10 shows the top contributors of local resources to the United Nations development system for operational activities in their own countries in 2009. Each of the top five countries on this list contributed fewer local resources in 2009 than in 2008.

Table 10
Top contributors of local resources to the United Nations system, 2009
(Millions of United States dollars)

Rank	*Country*	*Local resource contributions*	*Percentage share of total United Nations contributions*
1	Panama	129	91
2	Argentina	122	79
3	Brazil	104	68
4	Colombia	93	98
5	Peru	81	76
6	Egypt	72	92
7	Ethiopia	67	85
8	Pakistan	35	83
9	Mexico	33	48
10	Saudi Arabia	29	22
	Total	**765**	..

6. Burden-sharing among Development Assistance Committee donors

69. As shown in table 11, the top 13 OECD/DAC donor countries provided 58 per cent of total contributions to the United Nations development system in 2009. In addition, OECD/DAC donor countries contributed significant resources through other modalities and institutions such as the European Commission, global funds, the World Bank and regional development banks. The OECD/DAC countries therefore remain the most significant contributor of financial resources to the United Nations development system.

70. Three Nordic countries, Norway, Sweden and Denmark, are among the top OECD/DAC donors to the United Nations development system. These three countries together contributed some 19 per cent of total funding from OECD/DAC countries to United Nations operational activities for development in 2009.

Table 11
Top OECD/DAC Government contributors to operational activities for development, 2009

Donor	*Core*	*Non-core*	*Total*
United States of America	1	1	1
Japan	4	2	2
United Kingdom of Great Britain and Northern Ireland	6	3	3
Netherlands	2	8	4
Spain	7	4	5
Norway	3	7	6
Sweden	5	6	7
Canada	11	5	8

Donor	*Core*	*Non-core*	*Total*
Germany	8	9	9
Denmark	9	12	10
Italy	15	11	11
Australia	16	10	12
France	10	15	13
Share of total OECD/DAC Governments (percentage)	**87**	**94**	**92**
Share of total contributions (percentage)	**71**	**53**	**58**

71. As shown in table 12, in 2009, 12 of the 23 OECD/DAC countries contributed more than the median core development-related funding/gross national income (DEV/GNI) ratio for the group as a whole. If all OECD/DAC countries contributing below the median core DEV/GNI ratio had contributed core resources in 2009 in accordance with that median, core resource flows to the United Nations development system would have increased by almost $2 billion. If those countries that contributed fewer core resources than the median core DEV/GNI ratio for the group as a whole had covered these core shortfalls with their existing non-core contributions, total core resource flows would have been about $1.4 billion higher.

Table 12
Development-related funding of OECD/DAC countries based on the median core DEV/GNI ratio[a]
(Millions of United States dollars)

	Actual contributions in 2009			*Optimum core levels based on median core DEV/GNI[b]*			*Making up core shortfalls with existing non-core contributions[c]*		
Country	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*
Australia	58	127	185	109	127	237	109	76	185
Austria	23	16	39	44	16	60	39	0	39
Belgium	105	71	176	105	71	176	105	71	176
Canada	123	248	371	162	248	410	162	209	371
Denmark	154	100	254	154	100	254	154	100	254
Finland	104	56	160	104	56	160	104	56	160
France	147	62	208	314	62	376	208	0	208
Germany	237	175	412	397	175	573	397	15	412
Greece	8	4	12	37	4	42	12	0	12
Ireland	40	27	67	40	27	67	40	27	67
Italy	99	164	263	242	164	406	242	22	263
Japan	378	426	805	555	426	981	555	250	805
Luxembourg	21	43	64	21	43	64	21	43	64
Netherlands	420	377	797	420	377	797	420	377	797
New Zealand	18	12	30	18	12	30	18	12	30
Norway	307	388	694	307	388	694	307	388	694
Portugal	9	7	16	27	7	33	16	0	16

Country	Actual contributions in 2009			Optimum core levels based on median core DEV/GNI[b]			Making up core shortfalls with existing non-core contributions[c]		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
Republic of Korea	29	39	67	110	39	149	67	0	67
Spain	246	412	658	246	412	658	246	412	658
Sweden	279	304	583	279	304	583	279	304	583
Switzerland	118	60	177	118	60	177	118	60	177
United Kingdom of Great Britain and Northern Ireland	292	452	744	292	452	744	292	452	744
United States of America	641	666	1 307	1 626	666	2 292	1 307	0	1 307
Total	**3 857**	**4 233**	**8 091**	**5 729**	**4 233**	**9 963**	**5 219**	**2 871**	**8 091**

[a] Data on GNI obtained from the World Bank's world development indicators databank.
[b] This column assumes that for those OECD/DAC countries that contributed more than the average or median core DEV/GNI ratio, those core resources would remain unchanged.
[c] This column shows how much of each donor's existing non-core contribution could be shifted to core contributions to cover the shortfalls in the optimum core contribution levels based on median core DEV/GNI.

B. Expenditures

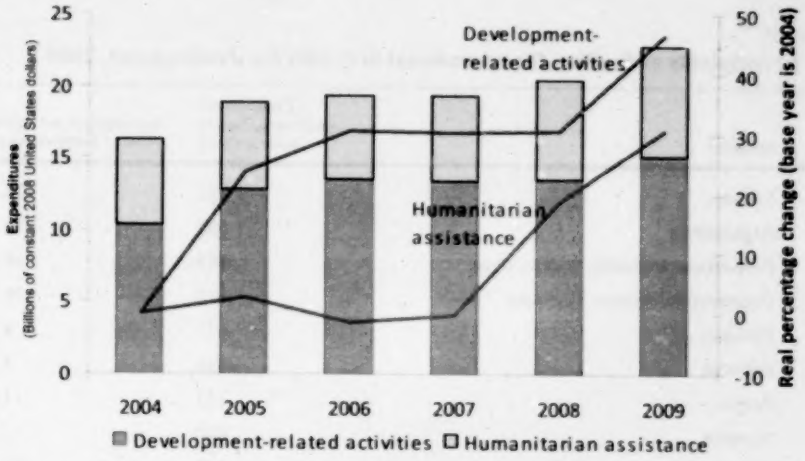
1. Total expenditures

72. Table 13 and figure XIX show that development-related expenditures grew by some 46 per cent in real terms, or 8 per cent annually on average, between 2004 and 2009, with significant nominal increases recorded in both 2005 and 2008. This illustrates that the United Nations development system is able to sizeably scale up its operations when called upon by the international community to do so.

Table 13
Expenditures for operational activities for development, 2004-2009

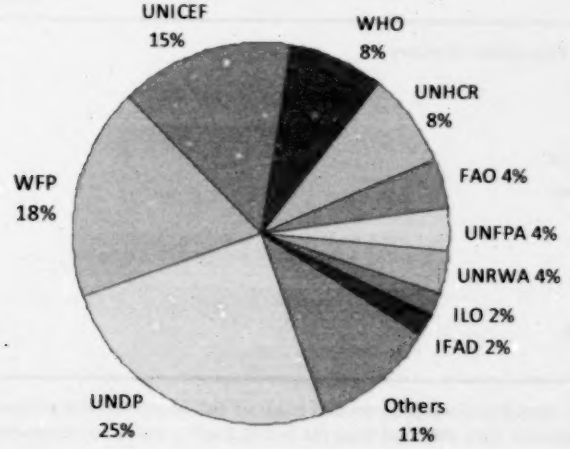
		2004	2005	2006	2007	2008	2009	Percentage change 2004-2009
Billions of current United States dollars	Development-related activities	8.7	11.0	11.9	12.8	13.5	14.7	69
	Humanitarian assistance	4.9	5.2	5.1	5.6	7.0	7.4	51
	Total expenditures	**13.6**	**16.3**	**17.0**	**18.4**	**20.5**	**22.1**	**63**
	Total growth (percentage)	**4**	**19**	**5**	**8**	**12**	**8**	—
Billions of constant 2008 United States dollars	Development-related activities	10.3	12.8	13.5	13.5	13.5	15.1	46
	Humanitarian assistance	5.9	6.0	5.8	5.9	7.0	7.7	30
	Total expenditures	**16.2**	**18.8**	**19.3**	**19.3**	**20.5**	**22.8**	**41**
	Total growth (percentage)	**-5**	**16**	**2**	**0**	**6**	**11**	—

Figure XIX
Trends in total expenditures for operational activities for development, 2004-2009



73. As shown in figure XX, 10 United Nations entities accounted for some 90 per cent of total expenditures for operational activities for development in 2009, with the remainder spent by 26 entities. Average expenditures for the top 10 entities in 2009 were close to $2 billion compared with $85 million per entity for the other 26, which, from a financing point of view, is a reflection of the fragmentation of the United Nations development system.

Figure XX
Main United Nations entities' share of expenditure for operational activities for development, 2009
(Based on 2009 expenditures)



74. Table 14 shows the top 10 recipients of funding for operational activities for development which together accounted for some 42 per cent of total country-level expenditures in 2009. Seven of the top 10 recipients are African countries.

Table 14
Top 10 recipients of funding for operational activities for development, 2009

Rank	*Recipient*	*Expenditures (millions of United States dollars)*	*Expenditures per capita (United States dollars)*[a]
1	Sudan	1 182	28.0
2	Afghanistan	1 065	35.7
3	Democratic Republic of the Congo	693	10.5
4	Occupied Palestinian Territory	673	179.1
5	Ethiopia	673	8.1
6	Pakistan	586	3.5
7	Kenya	463	11.6
8	Somalia	420	45.9
9	Zimbabwe	343	27.4
10	Chad	315	28.2

[a] Population data obtained from the World Bank's world development indicators databank.

75. Table 15 shows the top 10 recipients based on expenditures per capita. In the Occupied Palestinian Territory, funding from the United Nations development system amounted to some $179 per capita.

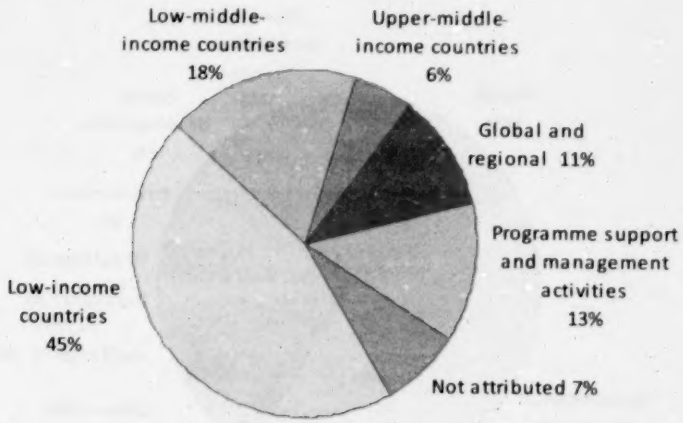
Table 15
Top 10 recipients of funding for operational activities for development based on expenditures per capita, 2009[a]

Rank	*Recipient*	*Expenditures per capita (United States dollars)*
1	Occupied Palestinian Territory	179.1
2	Somalia	45.4
3	Lebanon	43.6
4	Timor-Leste	43.0
5	Afghanistan	35.0
6	Jordan	33.8
7	Liberia	31.5
8	Chad	27.9
9	Zimbabwe	27.4
10	Sudan	27.2

[a] Excludes local resources from programme countries and countries with a population under 1 million. Population data obtained from the World Bank's world development indicators databank.

76. Figure XXI again shows that some 69 per cent of total funding for operational activities for development (both development related and humanitarian assistance) relates to programme activities at the country level, with low-income countries accounting for 65 per cent of that share.

Figure XXI
Destination by income group of funding for operational activities for development, 2009
(Total expenditures in 2009: $22.1 billion)



77. As table 16 shows, almost half of all humanitarian assistance-related expenditures in 2009 concerned activities in the African region. Nearly one fifth of both humanitarian assistance and development-related activities were in the Asian and Pacific region.

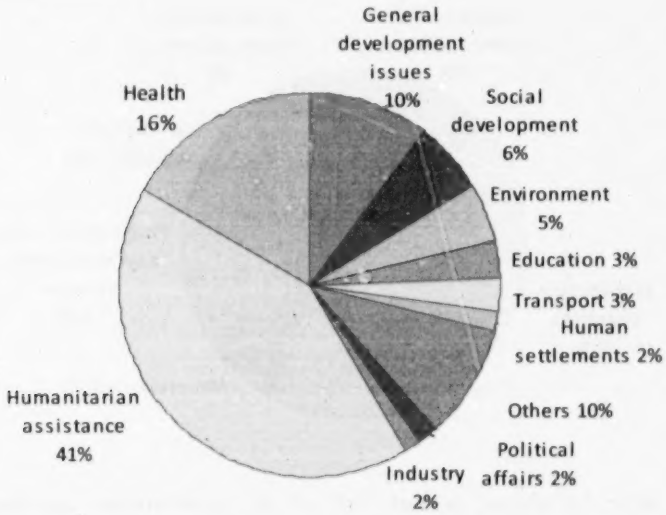
Table 16
Regional distribution of expenditures for operational activities for development, 2009[a]
(Percentage)

Region	*Share of total expenditures*	
	Humanitarian assistance	*Development-related activities*
Africa	47	25
Asia/Pacific	18	19
Americas	4	10
Western Asia	17	4
Europe	2	2
Regional and global	4	14
Programme support and management	8	15
Not attributed	0	10

[a] Including local resources from programme countries.

78. Figure XXII shows the sectoral distribution of expenditures in 2009, as reported by United Nations entities. When reviewing this figure, it should be borne in mind that it is inherently difficult to accurately present the sectoral distribution of expenditures owing to the lack of adequate, up-to-date standards and methodologies within the United Nations system in this regard.

Figure XXII
Destination by sector of funding for operational activities for development, 2009
(Based on 2009 expenditures)



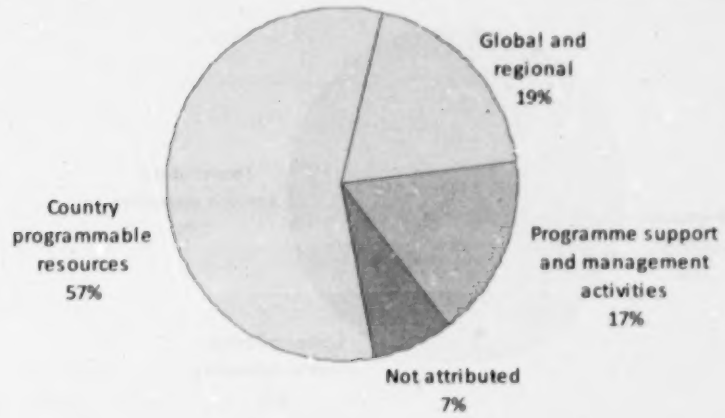
2. Country-level programme activities: country programmable resources

79. As shown in figure XXIII, development-related expenditures of the United Nations development system in 2009 amounted to $13.6 billion (excluding local resources from programme countries) of which $7.7 billion, or 57 per cent, were in the form of country programmable resources. Country programmable resources are defined as total expenditures less: (a) humanitarian assistance; (b) regional and global activities; (c) programme support and management; and (d) local resources from programme countries.[16]

80. Of total core-funded development-related expenditures of $4.9 billion, some 44 per cent, or $2.2 billion, were country programmable resources. In addition, local resources amounting to some $1.1 billion were spent at the country level.

[16] "Not attributed" in figure XXIII refers to expenditures not allocated by United Nations entities to any specific activities. Examples of expenditures included under this category in 2009 were revaluation of currencies and exchange rate fluctuations, doubtful debts, costs that could not be attributed to country-level activities and other headquarters-related costs.

Figure XXIII
Use of resources for development-related expenditures by major cost groupings, 2009
(Development-related expenditures excluding local resources in 2009: $13.6 billion)


Global and regional 19%
Programme support and management activities 17%
Not attributed 7%
Country programmable resources 57%

81. As shown in table 17, in 2009 country programmable resources were highest in Afghanistan, the Sudan and the Democratic Republic of the Congo.

Table 17
Top 10 recipients of funding (country programmable resources), 2009

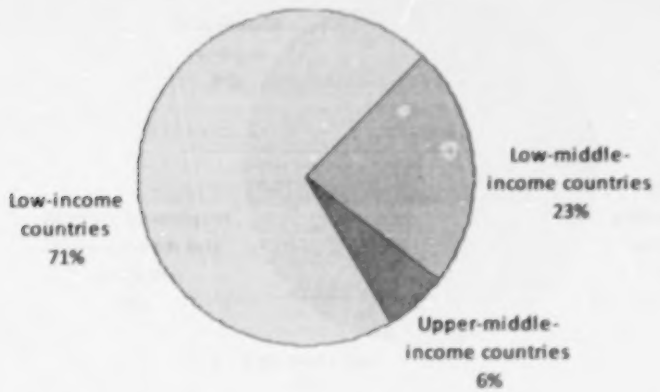
Rank	*Recipient*	*Expenditures (millions of United States dollars)*	*Expenditures per capita[a] (United States dollars)*
1	Afghanistan	781	26.2
2	Sudan	395	9.3
3	Democratic Republic of the Congo	380	5.8
4	India	251	0.2
5	Bangladesh	210	1.3
6	Ethiopia	204	2.5
7	Nigeria	203	1.3
8	Pakistan	188	1.1
9	Indonesia	183	0.8
10	Somalia	161	17.6

[a] Population data obtained from the World Bank's world development indicators databank.

82. In 2009, some 94 per cent of country programmable resources were spent in low-income and low- to middle-income countries confirming that development-

related expenditures of the United Nations development system are predominantly targeted towards countries most in need (see figure XXIV).[17]

Figure XXIV
Destination of country programmable resources by income group, 2009
(Total country programmable resources in 2009: $7.7 billion)



83. As shown in table 18, country programmable resources per capita were highest in Timor-Leste in 2009, followed by the Occupied Palestinian Territory, Afghanistan and Liberia respectively.

Table 18
Top 10 recipients of country programmable resources per capita, 2009[a]

Rank	*Recipient*	*Expenditure per capita (United States dollars)*
1	Timor-Leste	34.7
2	Occupied Palestinian Territory	33.1
3	Afghanistan	26.2
4	Liberia	22.5
5	Guinea-Bissau	18.0
6	Somalia	17.6
7	Swaziland	12.8
8	Central African Republic	12.1
9	Sierra Leone	11.6
10	Lebanon	11.6

[a] Excludes countries with a population under 1 million. Population data obtained from the World Bank's world development indicators databank.

[17] Based on World Bank classification.

84. Table 19 compares the regional distribution of core resources to non-core resources, focusing on the three largest funds and programmes which together accounted for 72 per cent of total country programmable resources in 2009. The table shows that the core-funded country programmable resources of UNDP and UNICEF were more focused on Africa than the non-core funding component, while for UNFPA, the reversed was the case.

Table 19
Regional distribution of country programmable resources financed from core and non-core resources of selected United Nations entities, 2009
(Percentage)

Entity	*Core/non-core*	*Africa*	*Asia/Pacific*	*Americas*	*Western Asia*	*Europe*
UNDP	Core	55	32	6	4	3
	Non-core	35	41	9	9	6
UNFPA	Core	54	31	10	4	2
	Non-core	62	14	16	6	3
UNICEF	Core	63	29	4	3	2
	Non-core	57	31	7	3	3

85. Table 20 shows the proportion of core- and non-core-funded country programmable resources that was spent in special country categories in 2009 by the same three funds and programmes. Overall, it can be said that both core- and non-core-funded country programmable resources are heavily concentrated in low-income countries.

Table 20
Share of core and non-core country programmable resources spent in special country groupings, 2009
(Percentage)

	Least developed countries		*Low-income countries*		*Landlocked developing countries*		*Small island developing States*	
	Core	*Non-core*	*Core*	*Non-core*	*Core*	*Non-core*	*Core*	*Non-core*
UNDP	60	59	78	66	33	34	7	5
UNFPA	50	56	67	70	26	30	6	4
UNICEF	63	54	83	74	33	27	4	3

IV. Analysis of selected funding issues

A. Predictability of core and non-core funding flows

86. In resolution 64/289 the General Assembly requested the Secretary-General to report on the predictability of funding for the United Nations development system, including the impact of rapid growth in non-core contributions compared to core funding, significant exchange rate fluctuations and the limited use of multi-year pledges.

87. In the 2010 report (see A/65/79-E/2010/104), elements of predictability, reliability and stability of funding were reviewed by examining actual fluctuations in contributions and the impact thereof on the availability of resources over time for two organizations. It was felt at the time that further review was needed to determine whether the findings were representative for other organizations and for operational activities as a whole.

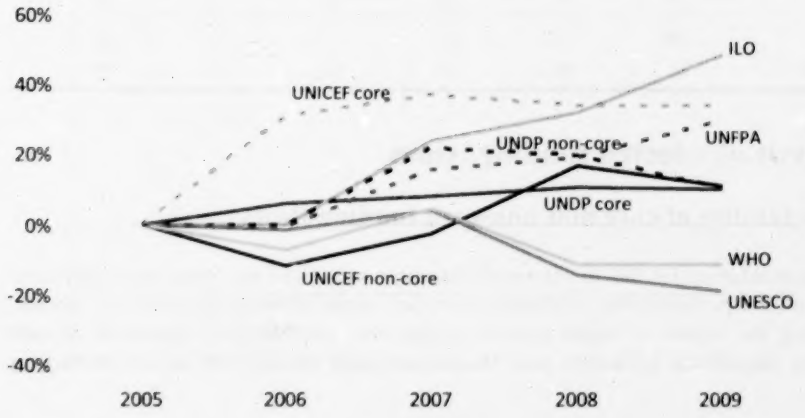
88. This section provides such further analysis. The analysis covers the five-year period 2005-2009 for UNDP, UNICEF, UNFPA, FAO, ILO, UNESCO and WHO which together account for more than 80 per cent of total resources for development-related activities. Local resources from programme countries for activities in their own countries have been excluded from the analysis. The review of each of these organizations has again focused on the group of donors and contributors that together accounted for some 80 per cent of the resources of the organizations concerned.

89. For UNDP, UNICEF and UNFPA the situation was reviewed for both core and non-core voluntary contributions. For FAO, ILO, UNESCO and WHO only non-core voluntary resources were reviewed since the core component of funding is almost exclusively financed through assessed contributions. Assessed contributions by nature are not subject to volatility and unpredictability apart from issues relating to timeliness of payment.

90. The findings of this more detailed review of the predictability, reliability and stability of funding are discussed below with the help of a series of charts that are considered to be representative for illustrating issues and patterns that are applicable to all organizations.

91. Figure XXV shows the relative movement in total contributions for organizations since 2005. With the exception of UNESCO and WHO, all the organizations experienced growth in funding flows during this five-year period. Figure XXV does not show the trends for FAO and UNFPA, but both experienced significant nominal growth of 132 and 83 per cent respectively compared to a relatively small base in 2005.

Figure XXV
Fluctuations in voluntary contributions to main funds and programmes and specialized agencies, 2005-2009

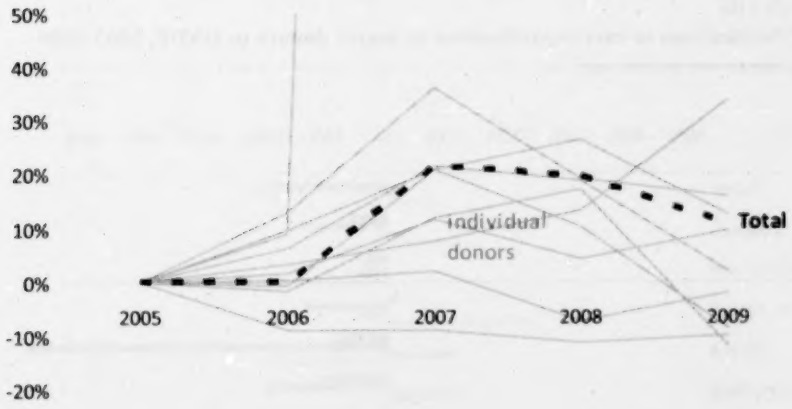


92. A more detailed review of each organization has revealed that the actual volatility in individual donor contributions is much more pronounced than the above overall patterns suggest. Despite generally positive aggregate growth, organizations continue to face challenges of predictability, reliability and stability of funding by individual contributors. Data from different agencies are used to illustrate this.

93. Figures XXVI and XXVII show the relative movement of total core and total non-core resources for UNDP over the period 2005-2009 with the relative movement of contributions by individual major donors. For both sources of financing, fluctuations in contributions by individual donors have been more prominent than is suggested by the relatively smooth and stable movement in total resources.

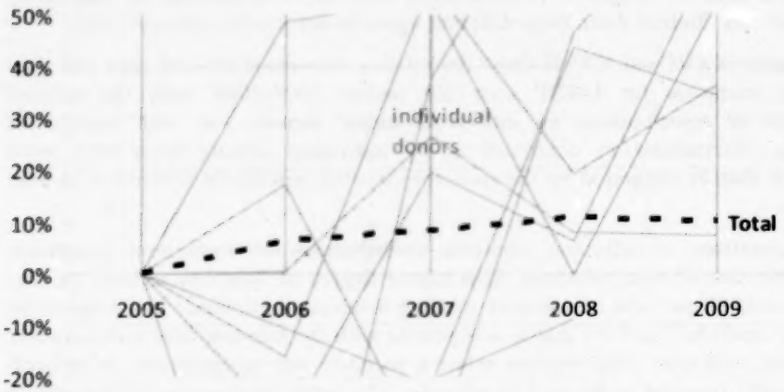
94. Fluctuations in individual non-core contributions are even more prominent than in the case of core resources. This higher degree of volatility reflects the fact that (a) some 88 per cent of non-core funding remains single donor and programme or project specific[18] and (b) that in accordance with the relevant financial rules and regulations, non-core contributions relating to multi-year programmes or projects are generally required to be paid in advance. The latter requirement in fact adds a considerable degree of predictability and stability at the level of the specific programme or project once funding agreements have been concluded.

Figure XXVI
Core contributions of major donors to UNDP, 2005-2009
(Base year: 2005)



[18] This percentage includes local resources from programme countries for activities in their own countries.

Figure XXVII
Non-core contributions of major donors to UNDP, 2005-2009
(Base year: 2005)



95. Figures XXVIII and XXIX provide more detailed information on actual fluctuations by examining annual changes in contributions by individual donors. As an example, annual fluctuations in United States dollar-denominated core contributions by Denmark were minus 2 per cent, plus 14 per cent, plus 5 per cent and minus 25 per cent compared to previous years.

Figure XXVIII
Annual fluctuations in core contributions of major donors to UNDP, 2005-2009
(Percentage changes over previous year)

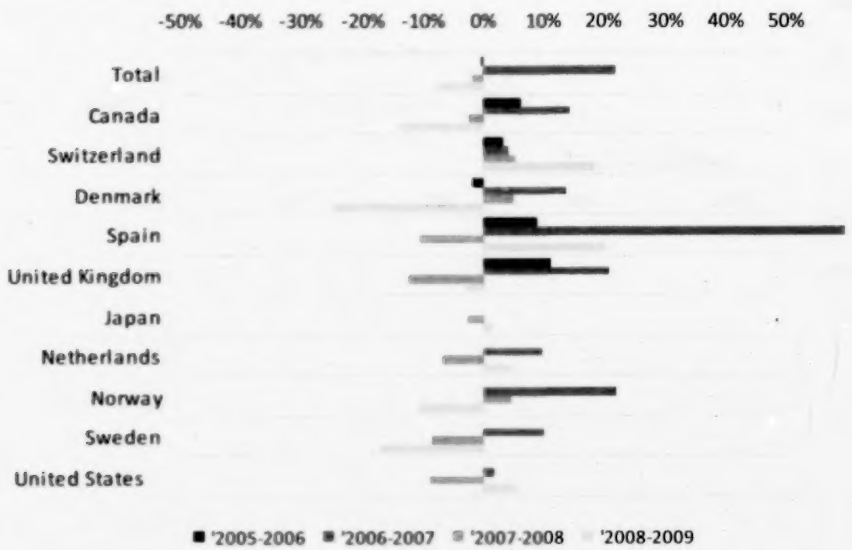
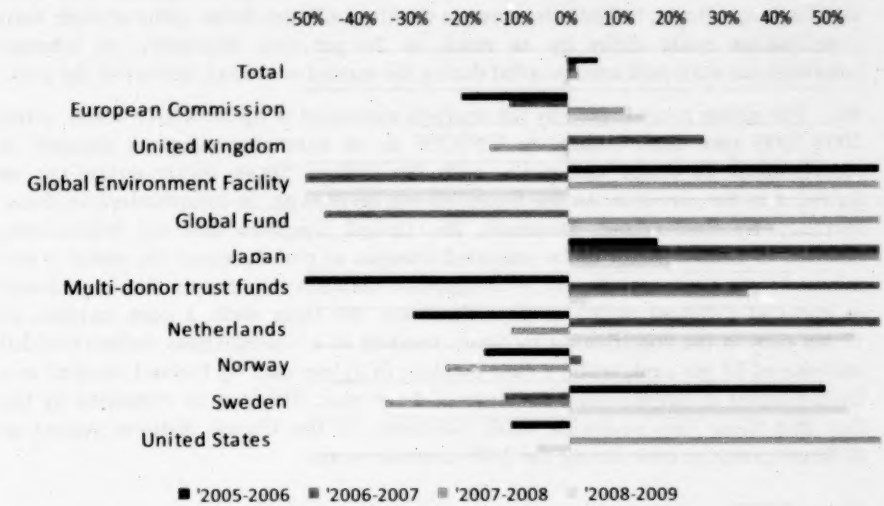
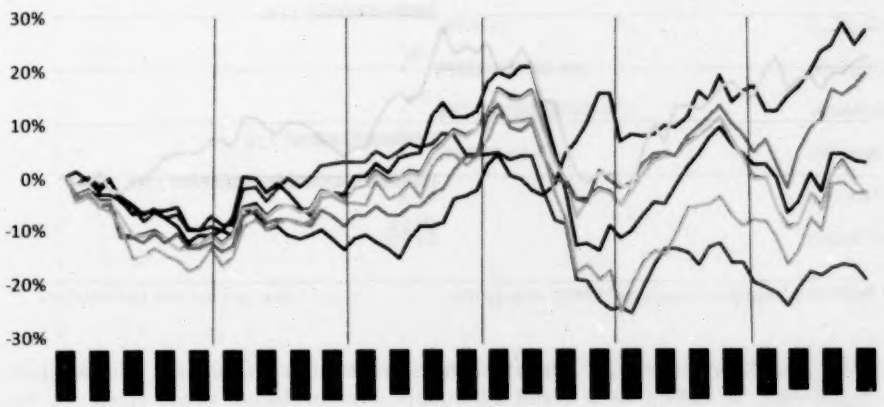


Figure XXIX
Annual fluctuations in non-core contributions of major donors to UNDP, 2005-2009
(Percentage changes over previous year)



96. Since the United States dollar is the general unit of account and for reporting in the United Nations system, the 2009 report included a preliminary analysis of the impact that fluctuations in exchange rates can have on the United States dollar equivalent of contributions made by donors in their own national currency (see A/65/79-E/2010/76). This impact has again been reviewed as part of the analysis contained in the present report.

Figure XXX
Movement of major donor currencies[a] against the United States dollar, 2005-2009
(Base year: 2005)



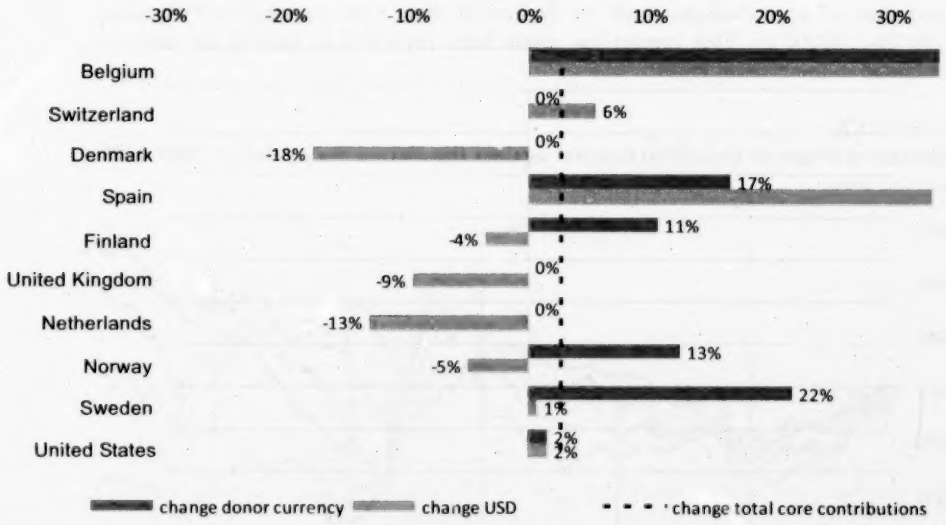
[a] Euro, yen, Danish krone, Canadian dollar, pound sterling, Norwegian krone, Swiss franc, Swedish krona.

97. Figure XXX is based on the monthly United Nations exchange rates and illustrates the very significant volatility in exchange rates during the period 2005-2009, both within and between years. As an example, the euro/United States dollar rate fluctuated within a range of between plus and minus 15 per cent relative to the beginning of 2005. Fluctuations in exchange rates within a given calendar year have also been significant. In 2008 for example the United States dollar value of some euro contributions could differ by as much as 20 per cent depending on whether contributions were paid and recorded during the second or the last quarter of the year.

98. The above is confirmed by the analysis contained in figure XXXI which, using 2008-2009 core contributions to UNICEF as an example, compares changes in contributions in donor currencies with the United States dollar equivalent as recorded in the accounts. As the figure shows, no changes in contributions in donor currency by Switzerland, Denmark, the United Kingdom and the Netherlands resulted in United States dollar-recorded changes of plus 6, minus 18, minus 9 and minus 13 per cent respectively. A comparison between two donors that contributed in euros at different points in time illustrates the issue well: a euro increase of 17 per cent in the contribution by Spain resulted in a United States dollar-recorded increase of 33 per cent, while a euro increase of 11 per cent by Finland resulted in a United States dollar-recorded decrease of 4 per cent. This can be explained by the fact that these two countries made payments to the United Nations system at different points in time during the 2009 calendar year.

Figure XXXI
Change in donor currency and United States dollar equivalent

(Core contributions to UNICEF, 2008-2009)



99. As illustrated above, annual changes in donor contributions can be quite significant, including as a result of volatility in exchange rates. However, the combined effect of the fluctuations on the overall availability of resources has not been negative. It seems obvious, however, that such relative stability, during a

period of general growth, is more the result of coincidence than of a well-functioning funding system that has built-in mechanisms to address the challenges that are intrinsic to a heavy dependency on annual voluntary contributions.

100. For many years, various formal and informal discussions have been held among Member States[19] to examine alternatives to the present funding system. These discussions have particularly focused on objectives such as providing a better link between funding commitments to approved programming levels, providing increased predictability and broadening the base of burden-sharing among Member States.

101. The general focus of those discussions has been on the elimination of some of the negative aspects of the present system in an evolutionary manner, rather than through fundamental change. Central to the most recent approaches to enhancing the predictability of funding flows has been the adoption of multi-year pledging in the context of multi-year strategic plans and financial frameworks with links to results-based management. Such multi-year pledging can be seen as a means to introduce the combined positive elements of voluntary contributions, assessed contributions and negotiated replenishment systems that are in place, for instance, in the international financial institutions. By and large, integrated strategic and multi-year financing frameworks have been developed by all organizations of the United Nations development system, but have so far not significantly advanced the reliability and stability of funding, as demonstrated by the above analysis.

102. As an example of a new innovative approach, UNEP introduced in 2003 the concept of "voluntary indicative scale of contributions". Individual Member States' indicative voluntary contributions are calculated on the basis of the country's historic levels of contributions to UNEP and on the United Nations scale of assessment, with the total of all voluntary assessments linked to the intergovernmentally approved programme of work.

103. A brief review of contributions to UNEP before and after the introduction of the voluntary indicative scale of contributions suggests that the new initiative may have positively impacted the volume and predictability of funding. Between 2003 and 2009, core contributions to the Environment Fund grew by some 28 per cent in real terms compared with an increase of about 15 per cent in total core funding to the United Nations development system. Prior to the introduction of the voluntary indicative scale of contributions, however, core contributions to the Environment Fund had experienced a decline of 11 per cent in real terms between 1994 and 2002. It is important to note that the funding base of UNEP remains concentrated in a small number of donors. In 2009, for example, the top 15 donor countries provided more than 93 per cent of all core funding to the Environment Fund.

104. In addition to the development of multi-year strategic plans and frameworks, organizations have also explored and introduced other funding modalities that can reduce the overall impact of volatile non-core contributions in particular. These include the use of pooled funding modalities in the form of thematic or other multi-donor trust funds. However, such pooled funding modalities still constitute a

[19] For instance, in the context of the follow-up to General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development and the consultations on system-wide coherence. The reports and relevant background papers of these consultations are available from www.un.org/esa/coordination/dcpb.

small part of non-core funding, which continues to be of a predominantly project- and individual programme-specific nature, as demonstrated elsewhere in this report.

105. Following the approaches that were developed and successfully introduced by the funds and programmes, most of the specialized agencies have further invested in their relationships with partners and stakeholders, including by developing resource mobilization strategies, by developing longer-term cooperation agreements with key donors, by increasing knowledge in the secretariats of new aid modalities and instruments (e.g., global funds and public-private partnerships) and by developing relevant guidelines and training for the staff concerned.

106. The Department will continue to examine the issue of predictability of resources flows to the United Nations development system in future reports, including with regard to initiatives and experiences of individual organizations, to address the challenges that are inherent to a funding system that to a large extent depends on annual voluntary contributions.

B. Non-core funding and cost recovery

107. The previous report (A/65/79-E/2010/76) built on efforts to strengthen the analysis of the sources, modalities and destination of funding with a special focus on non-core resource flows as compared to core funding. In this connection, the report stated that core funding appeared to cover a significantly higher share of non-programme institutional costs of organizations than non-core resources.

108. This issue is again being reviewed in the present report, including with regard to policies and practices that are in place to recover support costs.

109. Several General Assembly resolutions and decisions of governing bodies of funds, programmes and specialized agencies have emphasized over time that core resources should not be used to cover costs related to the management of non-core funds and programme activities. As an example, in resolution 62/208 the Assembly requested the governing bodies of funds, programmes and specialized agencies to "review the issue of cost recovery to ensure that core resources do not subsidize the projects undertaken through non-core/supplementary/extrabudgetary funding" and requested the United Nations development system to "further standardize and harmonize the concepts, practices and cost classifications related to transaction cost and cost recovery while maintaining the principle of full cost recovery".

110. Table 21 provides a high-level breakdown of 2009 development-related use of core and non-core resources for (a) programme activities (at country, regional and global levels) which can be traced to specific development programme components or projects that contribute to the delivery of development results contained in programme/project documents or other programming instruments; and (b) programme support and management activities, the cost of which cannot be directly attributed to such specific development programme components or projects.

111. In line with commonly accepted definitions, programme support activities are typically of a more general policy/advisory, technical and implementation nature relating to the overall development focus areas of the organizations. Management activities have as their primary function the promotion of the identity and direction of an organization. These typically include executive direction, representation, external relations and partnerships, corporate communications, legal issues,

oversight, auditing, corporate evaluation, information technology, finance, administration, security and human resources. A third category ("Other") comprises expenditures that cannot easily be classified under either of the main categories.[20]

112. Information contained in the table is based on data provided by 21 organizations representing some 88 per cent of total development-related expenditures in 2009. Where necessary, data have been supplemented by data contained in published financial and budgetary reports of the organizations concerned.

Table 21
High-level breakdown of use of resources
(Millions of United States dollars)

	Programme activities	*Programme support and management activities*	*Other*	*Total*
Core resources	2 334	1 454	219	4 007
Share	58%	36%	5%	100%
Non-core resources	8 557	656	214	9 427
Share	91%	7%	2%	100%
Total resources	10 891	2 110	433	13 434
Share	81%	16%	3%	100%

113. The outcome of the analysis contained in table 21 confirms that there is indeed a significant difference in the distribution of programme support and management costs between core and non-core funding sources. Consequently, the remaining shares available for actual programme activities at the country level differ greatly as well, i.e., 58 per cent of core funding is available for programme activities at the country level compared with 91 per cent for non-core resources.

114. Accordingly, and based on the premise that all programme activities benefit from organization-wide programme support and management capacities, it can be said that core resources indeed "subsidize" the support to and management of non-core activities. The extent to which this subsidization is counter to legislation adopted by governing bodies is open to interpretation because there is ambiguity about which costs in fact are expected to be fully recovered. This is discussed further below.

115. The issue of support costs and support-cost recovery in United Nations system organizations has been studied extensively, including by the Joint Inspection Unit in a report issued in 2002 (JIU/REP/2002/3). The Joint Inspection Unit further referred to the topic in the context of reports in 2007 (JIU/REP/2007/1) and 2010 (JIU/REP/2010/7), as did others, for instance as part of the preparation for and follow-up to the comprehensive policy review of operational activities for development. The reviews generally took into account that a distinction should be made between the costs incurred to support activities financed from non-core resources, the principles that guide the recovery of these costs and the rates and other mechanisms by which this recovery is effected.

[20] In the case of UNDP, for example, such expenditure would relate to its support to the resident coordinator system and to funds and programmes that are administered by UNDP such as UNV and UNCDF.

116. Many of the reviews have highlighted that there is a general lack of harmonization of support-cost recovery policies and practices among organizations, but that most of them attempt to recover the incremental increase in support costs attributable to non-core activities, rather than the full cost.[21] Such an incremental approach to the determination and recovery of support costs is based on the assumption that costs associated with certain functions should not, as a matter of policy, be financed from non-core resources.

117. Therefore, support-cost policies in most of the United Nations system organizations permit, either explicitly or implicitly, support to non-core activities from core resources. In this respect, and as mentioned by the Joint Inspection Unit in 2002, there are indeed a number of legislative contradictions as regards non-core support-cost recovery policies.

118. The most common form of contradiction concerns the approval by legislative organs of such incremental support-cost recovery policies on the one hand and the approval of legislation that proscribes the use of core resources to support non-core activities on the other.

119. Following the 2002 report of the Joint Inspection Unit, as well as deliberations of the CEB High-level Committee on Management, the Committee and joint working groups of the Committee and UNDG undertook to improve the level of consistency and harmonization across the United Nations system in relation to the practices and procedures that govern the attribution and recovery of costs related to the support to and management of non-core-funded activities.

120. With the aim of establishing common cost-recovery guidelines, a first Committee working group started work in 2003 and concluded its activity at the end of 2005. The main result was a conceptual system-wide cost classification policy which divides relevant costs into three main categories: (a) direct costs; (b) indirect variable costs; and (c) indirect fixed costs. This high-level cost classification policy has since been adopted by most United Nations organizations. As far as the cost-recovery principles are concerned, it was agreed that direct costs are fully recoverable and should be charged to the projects directly; that variable indirect costs should be totally recovered from non-core funding sources; and that fixed indirect costs should be financed by core resources only (except for organizations such as WFP that do not have such resources).

121. The ambiguity, mentioned earlier, about which costs are in fact expected to be fully recovered thus relates to the fixed indirect costs. The case of UNDP is used as an example to illustrate the order of magnitude of fixed indirect costs and is based on a comprehensive and transparent presentation that UNDP made to its Executive Board in the context of its support budget proposals for 2010-2011 (see DP/2010/3).

122. UNDP attributes fixed indirect costs to a so-called base structure of the organization and variable indirect costs to an augmentation structure. The base structure is defined as the minimum capacity that the organization needs in order to carry out its core mandate. The base structure is said to be needed to ensure the sound, sustainable funding of a minimum critical mass of staff capacity and general operating expenses dedicated to maintaining the management infrastructure of the

[21] One exception is WFP, which uses a principle of full cost recovery whereby each project and operation has a budgetary provision for the recovery of operational costs, direct support costs and indirect support costs in full.

organization, including the country office network, regional centres and headquarters units. Core resources pay for the base structure.

123. Programme support and management activities and associated costs above the base structure are considered variable indirect costs and funded from a combination of core and non-core recoverable resources in the same proportion as the core and non-core composition of the development activities they support. UNDP refers to this as the principle of proportionality. Accordingly, UNDP considers about half (48 per cent) of its overall structure[22] to represent the base structure of the organization. The costs of this base structure are estimated to be equivalent to some 35 per cent of actual core programme activities.

124. The example of UNDP shows that the order of magnitude of indirect fixed costs can be significant. Similar considerations apply to other organizations. An approach whereby such costs, as a matter of policy, should be financed from core resources therefore has a material impact only on the extent to which core resources subsidize the support to and management of non-core resources and, by implication, the extent to which the remaining core resources are available for actual core programme activities.

125. Again using UNDP as an example, the currently applied average cost recovery rate of 7 per cent for non-core-funded activities would have to increase to some 15 per cent if all costs were to be equally distributed between core and non-core resources. As a result of such equal distribution of costs, core programme activities of UNDP could increase by up to 30 per cent.

126. The principle of recovering the incremental increase in support costs attributable to non-core activities has its roots in times long past when non-core resources could indeed be considered as an increment to core resources. This is, however, no longer the case. For example, for development-related activities alone non-core resources in 1994 were less than half of core resources, while in 2009 non-core resources were about 2 ½ times the level of core resources.

127. Against this background, legislative and governing bodies may wish to review and confirm whether the underlying policy of incremental cost recovery remains valid, taking into account that the business models and cost structures of organizations differ. This is relevant in particular for the specialized agencies that have faced zero or negative growth in assessed/core budgets for an extended period of time. A common system-wide policy statement would be critical in supporting the work that United Nations organizations should continue, under the auspices of CEB, in pursuit of further standardization and harmonization of practices and cost classifications related to transaction cost and cost recovery. In this connection, the outcome of the work of a second working group under the auspices of UNDG and the High-level Committee on Management between 2007 and 2010 was still not conclusive. Work currently being undertaken by UNDP, UNICEF and UNFPA in the context of another joint cost-recovery harmonization exercise, as well as in the preparation of the development of an integrated budget framework by 2014, can provide an impetus in this regard.

[22] Adjusted for activities that do not immediately relate to the Programme's own programme activities, such as UNV and UNCDF, United Nations coordination and fully reimbursable management services.

C. Concentration and fragmentation of the United Nations development system

128. In this section, financial indicators and statistical methods are used to examine the level of concentration and fragmentation of operational activities for development in 2009. Such an analysis based on financial information has inherent limitations as it does not cover the qualitative aspects of the outcomes of the relationships between United Nations entities and programme countries. For example, the amount of support extended by a particular entity to a given country may be very small in terms of expenditures, but its technical relevance may be judged very positively by the respective Government.[23]

129. Despite its limitations, an analysis on the basis of financial information can provide insights at programme country level into the relative importance of operational activities for development compared to total development assistance, and into the way that individual United Nations development system entities differ in their distribution of resources.

130. In this section, the concentration or fragmentation of operational activities for development of the United Nations system will be examined at three levels:

- How important is the whole United Nations development system as a source of development financing for individual programme countries and how are the resources distributed among those countries?
- How important are individual United Nations entities as a source of development financing in programme countries?
- How concentrated and/or fragmented is the United Nations development system in the delivery of operational activities for development?

1. Importance of operational activities for development to programme countries

131. The overall share of United Nations operational activities for development of total ODA (excluding debt relief) in 2009 as reported by OECD/DAC was 18 per cent.[24] Operational activities for development therefore played a modest role in the overall financing for development in programme countries.

132. Programme activities in 43 programme countries (29 per cent) accounted for some 80 per cent of total country-level expenditures, with the remaining 20 per cent spent in 105 countries.

133. The distribution of operational activities for development mirrored the distribution of total ODA fairly closely. Some 75 per cent of the top 43 ODA recipients that accounted for close to 80 per cent of total ODA also belonged to the

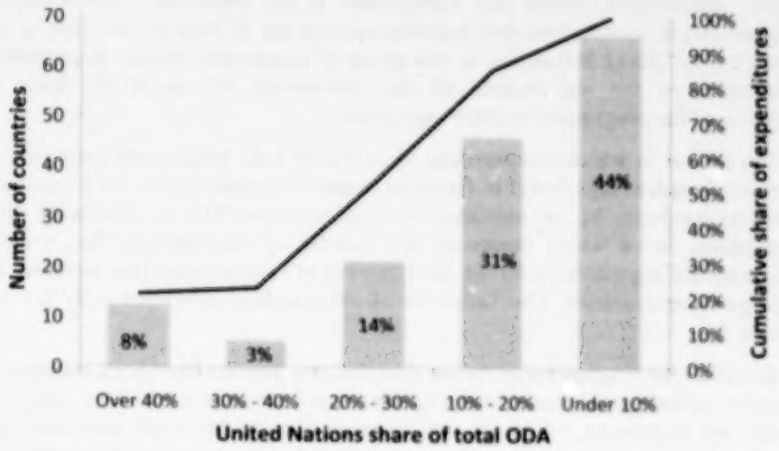
[23] The methodology applied in this section was originally developed by OECD/DAC to assess the degree of fragmentation of ODA from its members to recipient countries. This methodology was not designed to be applied in a multilateral context. However, it is felt that analyses of this kind can provide useful information on allocation patterns in the United Nations development system. It should be noted that the analysis is based on combining core and non-core resources and development-related funding and humanitarian assistance. It is envisaged that a more disaggregated analysis of concentration and fragmentation based on different sources and types of funding will be prepared for next year's report.

[24] Total ODA figure 4 is from OECD/DAC statistics, DAC table 1.

group of 43 recipients that accounted for some 80 per cent of United Nations operational activities for development.

134. At a more disaggregated level and as shown in figure XXXII, operational activities for development accounted for more than 40 per cent of total ODA in only 12, or 8 per cent, of programme countries in 2009, with many of them in special development situations. Some 63 per cent of United Nations expenditures in these 12 countries[25] were humanitarian assistance related. Expenditures in these countries accounted for 21 per cent of total operational activities for development.

Figure XXXII
United Nations system share of ODA in programme countries, 2009



Sources: United Nations data excludes local resources.
Information on ODA obtained from OECD/DAC statistics, DAC table 2a.

135. There were 38 programme countries, or 25 per cent of the total, where operational activities for development accounted for 20 per cent or more of total ODA in 2009. From a financing perspective, the United Nations development system as a whole was therefore a relevant development partner in these 38 programme countries, which accounted for 53 per cent of all operational activities for development.

136. At the other end of the spectrum, in 64 programme countries, or 44 per cent of the total, operational activities for development accounted for less than 10 per cent of total ODA, making the United Nations development system a far less significant partner. Total expenditures in the 64 countries accounted for 14 per cent of total global expenditures.

137. Overall, the above analysis indicates that the work of the United Nations development system at the country level is only moderately concentrated. This is likely a combined reflection of the universal character of the organization, on the one hand, and its fairly limited share of total ODA, on the other.

[25] Barbados, Central African Republic, Chad, Democratic People's Republic of Korea, Eritrea, Fiji, Iran (Islamic Republic of), Myanmar, Somalia, Sudan, Syrian Arab Republic, Zimbabwe.

2. Relative importance of individual United Nations entities compared to total official development assistance at the country level

138. The second level of analysis looks at the relative importance and degree of concentration and/or fragmentation of the relationships between individual United Nations entities and programme countries in comparison with other development partners at the country level. The following four distinct dimensions are introduced to examine the nature of these relationships:

(a) **Priority versus less priority**. Is the entity's share of country-level expenditures higher or lower than its share of global United Nations expenditures on operational activities for development? A country-level share that is higher than the global share would indicate that the country is a relative priority for the entity;

(b) **Significant versus less significant**. Is the entity in a given country among the larger contributors that together account for at least 80 per cent of this recipient's total ODA? Belonging to this group of larger contributors is considered an indication of the significance of the relationship of the entity from the perspective of the programme country concerned.

139. The degree to which relationships of an entity with programme countries are less priority and less significant in financial terms is considered, for the purposes of the present analysis, as an indicator of fragmentation. This is expressed by a fragmentation factor which compares the number of relationships that are less priority and less significant with the total number of relationships that an entity has with programme countries. This factor for all relationships combined is 47 per cent (see table 22).

140. Based on the fragmentation factor thus defined, entities have been grouped for illustrative purposes into four broad fragmentation categories as follows: low, 0-23 per cent; low to average, 24-47 per cent; average to high, 48-70 per cent; and high, above 70 per cent. It is important to keep in mind that the purpose of this grouping is only to organize the financial information in a way that is more easily understandable by the reader, not to rank individual entities.

141. Nonetheless, the higher the degree of fragmentation, the higher the probability that costs associated with maintaining relationships between United Nations entities and programme countries are relatively high and, therefore, the greater the need to explore ways to minimize those costs through, for instance, pursuing opportunities provided by common system approaches towards programme coordination and common services.

142. The main purpose of the analysis at this second level, unlike in the previous part of this section where the focus was on the system as a whole, is to better understand the financial relevance of individual entities in comparison with other development partners of programme countries at the country level.

143. Key findings of the analysis are summarized in table 22 and depicted in figure XXXIII.

144. As shown in table 22, the 25 United Nations entities that reported expenditures at the country level had together 1,779 relationships with 148 programme countries. Some 6 per cent of those relationships were significant in financial terms, meaning that the respective entities were among the larger contributors that together accounted for 80 per cent of total ODA at the country level.

Table 22
Relationships between United Nations entities and recipients, 2009[a]

Entity	*Number of relationships*	*More priority*		*Less priority*			*Degree of fragmentation*
		Significant	*Less significant*	*Significant*	*Less significant*	*Total significant*	
		A	**B**	**C**	**D**	**A+C**	
UNRWA	4	4	0	0	0	4	Low
UPU	7	0	6	0	1	0	
UNWTO	13	0	10	0	3	0	
UNDP	137	35	49	3	50	38	Low to average
UNFPA	114	2	79	0	33	2	
IFAD	91	2	59	0	30	2	
ITC	33	0	25	0	8	0	
UNCTAD	43	0	31	0	12	0	
IAEA	96	0	69	0	27	0	
Office for the Coordination of Humanitarian Affairs	26	0	18	0	8	0	
UNAIDS	108	0	70	0	38	0	
ILO	92	0	51	0	41	0	
ITU	69	0	38	0	31	0	
WFP	80	21	4	3	52	24	Average to high
UNICEF	123	22	37	0	64	22	
UNHCR	91	14	30	0	47	14	
WHO[b]	146	5	58	0	83	5	
FAO	123	1	58	0	66	1	
UNEP	34	0	18	0	16	0	
UNODC	52	0	22	0	30	0	
UNIDO	102	0	41	0	61	0	
UN-Habitat	53	0	19	0	34	0	
UNESCO	112	0	39	0	73	0	
UNDESA	18	0	5	0	13	0	High
WIPO[c]	12	0	3	0	9	0	
Total	**1 779**	**106**	**837**	**6**	**830**	**112**	

Source: Total ODA at programme country level obtained from OECD/DAC Statistics, DAC table 2a.

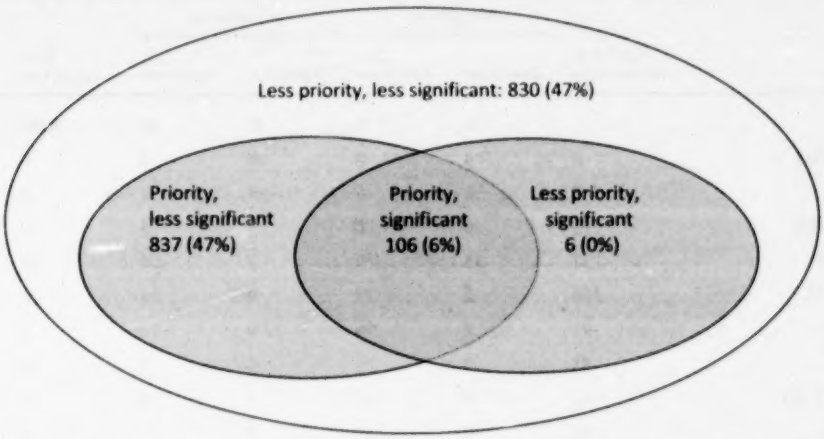
[a] In the context of total ODA at the programme country level.

[b] Country-level breakdown of WHO expenditures for 2008 or 2009 was not available. Instead, the country breakdown of 2007 expenditures is used and prorated against WHO total expenditures in 2009.

[c] Expenditure data for WIPO for 2009 was not available. Instead 2008 expenditures information is used for the analysis conducted in this section of the report.

145. Following is a more detailed review of two of the four categories depicted in table 22.

Figure XXXIII
Relationships between United Nations entities and recipients, 2009[a]


Less priority, less significant: 830 (47%)
Priority, less significant 837 (47%)
Priority, significant 106 (6%)
Less priority, significant 6 (0%)

Source: Total ODA at programme-country level obtained from OECD/DAC statistics, DAC table 2a.
[a] Operational activities for development compared to total ODA.

146. The 6 per cent of relationships which were priority and significant (in financial terms) accounted for 44 per cent of all country-level expenditures in 2009, or some $6.1 billion.

147. Some 47 per cent of relationships in 2009 were less priority and less significant, accounting for some 27 per cent of all country-level expenditures, or $3.8 billion. The value of 482 of these relationships was under $1 million. It is reasonable to assume that the cost of maintaining a very large number of relationships that are of less priority and less significance is likely to be relatively high.

148. Table 22 shows that the operations of some 13 entities, or more than half of the total, can be characterized by a below average degree of fragmentation. These 13 entities accounted for some 35 per cent of total United Nations operational activities at the country level. Consequently, the operations of the other 12 entities, accounting for 65 per cent of total operational activities at the country level, can be characterized by a more than average degree of fragmentation.

3. Relative importance of individual United Nations entities compared to total operational activities at the country level

149. The third level of analysis looks at the relative importance and degree of concentration and/or fragmentation of the relationships between individual United Nations entities and programme countries in comparison with other United Nations development partners only.

150. Table 23 provides an overview of this analysis and shows from a United Nations system internal perspective that 30 per cent of relationships between entities and programme countries were significant. In the case of UNDP and UNICEF, for example, 92 and 93 per cent of their relationships were significant in 2009.

151. The 30 per cent of significant relationships accounted for some 85 per cent of all country-level expenditures in 2009 for the entities reviewed in the context of this analysis, or $11.8 billion. The 70 per cent of less significant relationships accounted for 15 per cent of all country-level expenditures, or $2.2 billion.

152. In table 23, entities have again been grouped for illustrative purposes into four broad fragmentation categories as follows: low, 0-19 per cent; low to average, 19-38 per cent; average to high, 38-57 per cent; and high, above 57 per cent.

153. With regard to the extent to which programme activities of individual entities are fragmented from an internal United Nations system perspective, table 23 shows that five entities can be considered as least fragmented. These five entities accounted for 70 per cent of total country-level expenditures for operational activities in 2009 and 20 per cent of total relationships. A group of eight entities can be characterized by a low to average degree of fragmentation. This group accounted for 7 per cent of total country-level activities and 29 per cent of total relationships.

154. Accordingly, and from an internal United Nations development perspective, 77 per cent of country-level expenditures in 2009 were carried out by entities whose operations can be characterized by a below average degree of fragmentation. Consequently, 23 per cent of country-level activities were carried out by entities characterized by an above average or high degree of fragmentation.

155. As mentioned earlier, the above analysis on the basis of financial information does not cover any of the qualitative aspects of the 1,779 relationships between the 25 entities and 148 programme countries. Nevertheless, the results of the analysis can contribute to informing policy debates about the overall management and cost efficiency of supporting and maintaining the many relationships that are less priority and less significant in financial terms. In this connection, opportunities for streamlining and rationalization should continually be explored and exploited, including by vigorously pursuing benefits that can be derived from common system approaches towards programme and management harmonization and coordination and common services.

Table 23
Number of relationships between United Nations entities and recipients, operational activities for development, 2009

		More priority		*Less priority*			
Entity	*Number of relationships*	*Significant*	*Less significant*	*Significant*	*Less significant*	*Total significant*	*Degree of fragmentation*
		A	**B**	**C**	**D**	**A+C**	
UNDP	137	84	0	42	11	126	Low
UNICEF	123	59	0	55	9	114	
WFP	80	25	0	42	13	67	
UNRWA	4	4	0	0	0	4	
UPU	7	0	6	0	1	0	
UNFPA	114	36	45	0	33	36	Low to average
IFAD	91	32	29	0	30	32	
IAEA	96	3	66	0	27	3	
UNCTAD	43	1	30	0	12	1	

Entity	Number of relationships	More priority		Less priority		Total significant	Degree of fragmentation
		Significant	Less significant	Significant	Less significant		
UNAIDS	108	3	69	3	38	1	
UNWTO	13	0	10	0	3	0	
ITC	33	0	25	0	8	0	
Office for the Coordination of Humanitarian Affairs	26	0	18	0	8	0	
UNHCR	91	44	0	12	35	56	Average to high
WHO	146	53	10	1	82	54	
FAO	123	23	34	0	66	23	
ILO	92	3	48	0	41	3	
UNODC	52	3	19	0	30	3	
UNEP	34	1	17	0	16	1	
ITU	69	0	38	0	31	0	
UNIDO	102	5	36	0	61	5	High
UNESCO	112	2	37	0	73	2	
UN-Habitat	53	1	18	0	34	1	
United Nations Department of Economic and Social Affairs	16	1	4	0	18	1	
WIPO	12	0	3	0	9	0	
Total	**1 779**	**381**	**562**	**152**	**684**	**533**	

D. Cost of coordination of the United Nations development system

156. The General Assembly in resolution 62/208 noted that "coordination activities, while beneficial, represent transaction costs that are borne by both programme countries and the organizations of the United Nations system and [requested] the Secretary-General to report on an annual basis to the Economic and Social Council on the functioning of the resident coordinator system, including costs and benefits". This echoed resolution 59/250, in which the Assembly emphasized the need for the continuous evaluation of coordination activities and for an analysis and assessment of costs compared with the total programme expenditures for operational activities for development".[26]

157. As part of the preparations for the present report, the Department has further studied the costs and benefits of coordination of operational activities for development of the United Nations system. This analysis has particularly focused on the cost side, as estimating benefits is a more complex undertaking requiring resources and time not available for the present study. Table 24 provides a brief synthesis of the key findings of this analysis.

[26] In addition, in resolution 2008/2, the Economic and Social Council called on CEB and UNDG to "further develop approaches to measure and report on the costs and benefits of coordination".

Table 24
Costs and benefits of coordination

Costs				*Benefits (only at country level)*			
Cost type	*Annual cost (millions of United States dollars)*	*Data sources*	*Notes and challenges*	*Benefit type*	*Progress*	*Information sources*	*Challenges*
Country level				**Development effectiveness**			
UNDP (a) Resident coordinator system and country office staff time	119.5	Biennial budget, workload survey[a]	Covers all activities on which two or more United Nations entities work together at country level and combines development-related activities and humanitarian assistance coordination	*Programme coherence* Coherent programme vis-à-vis agency results (improved focus, reduced duplication, etc.)	Some progress, but difficult to measure	Evaluations, midterm reviews and other documents	Streamlining of UNDAF/agency programming; enhanced use of (a) results-based management in UNDAFs and (b) programme groups
(b) Resident coordinator system support and United Nations Country Coordination Fund	31	Biennial budget, trust fund data	Partly spent at headquarters and regional levels	*National ownership* National ownership and alignment with national priorities	Positive results	Ibid.	Evaluations need to address issues of value-added, national ownership and transaction costs on partners
Other United Nations entities Country office staff time	72	Extrapolation from UNDP data	Methodology could be further developed for quadrennial comprehensive periodic review	*National capacity-building* Greater use of national systems and fewer Programme Implementation Units	Positive results, but little progress in reducing Programme Implementation Units	Ibid.	Need for performance indicators and regular review[b]
				Access to expertise Enhanced access to specialized expertise of United Nations system	Not addressed in evaluations or midterm reviews	Ibid.	Ibid.

Costs				*Benefits (only at country level)*			
Cost type	*Annual cost (millions of United States dollars)*	*Data sources*	*Notes and challenges*	*Benefit type*	*Progress*	*Information sources*	*Challenges*
Global and regional levels				*Programme efficiency*			
(a) UNDG, High-level Committee on Programmes and High-level Committee on Management inter-agency processes	10	Working groups staff level and time	47% of CEB resources are devoted to operational activities for development	Reduced transaction costs for partners and United Nations entities	Some progress	Ibid.	Ibid.
(b) UNDG/ Development Cooperation Coordination Office and CEB secretariat staff costs	5	UNDP and CEB expenditures	Share attributed to operational activities for development	*Operations efficiency* Joint/common premises and services, e.g., procurement, information and communication technologies, human resources and long-term agreements	Efficiency gains, e.g., in United Republic of Tanzania and Mozambique	Delivering as One documents	Ibid.; headquarters-level policy decisions and business process analysis required
Total estimated costs	**237.5**		**3% of country programme resources**				

[a] See DP/2010/3, table 4 and summary table 3.

[b] A system of indicators to assess progress and enhance accountability of United Nations country teams in coordination areas, e.g. Harmonized Approach to Cash Transfers compliance, use by United Nations country teams of single programming document, joint missions, use of national monitoring systems, reduction in Programme Implementation Units, joint procurement, etc.

1. Costs

158. The annual cost of coordination of the United Nations development system is estimated at some $237 million, or about 3 per cent of country programmable resources in 2009. This figure includes the following:

(a) The cost of the resident coordinator system, as reported by UNDP, as well as the monetary value of the time spent by UNDP country-level staff on coordination activities ($119.5 million);[27]

(b) Expenditures of country-level coordination funds ($31 million);

(c) The monetary value of time spent by the staff of other United Nations entities on coordination activities at the country level ($72 million);[28]

(d) The monetary value of time spent by United Nations staff on inter-agency processes at headquarters and regional levels ($10 million);[29] and

(e) Relevant UNDG/Development Operations Coordination Office and CEB secretariat staff costs ($5 million).

159. The above figures show that coordination costs are overwhelmingly concentrated at the country level with those at headquarters and regional levels miniscule in comparison.

160. The above estimate of coordination costs is subject to several qualifications:[30]

(a) First, while estimates for UNDP coordination costs are reliable, comparable data for other United Nations agencies operating at the country level are not available. An order of magnitude estimate for the monetary value of time spent by staff of other United Nations entities on coordination activities at the country level has therefore been made for the purpose of this analysis;

(b) Secondly, the UNDP country-level cost data cover all activities where two or more United Nations entities work together. Thus, for example, these data cover the preparation of an UNDAF, the work of programme coordination groups in implementing the Framework, and the work of groups dedicated to realizing operational efficiencies. The new UNDP, UNFPA and UNICEF cost classification system approved by the Executive Boards will treat these activities as programme or

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[27] As measured in the most recent workload survey.

[28] This estimate takes the UNDP country office workload survey as its starting point, and distinguishes between the type of activities that only UNDP funds (such as the resident coordinator function) and activities on which UNDP staff are likely to be "mirrored" by staff of one or more other United Nations entities (such as in theme groups). UNDP estimates that the former account for roughly four fifths of the total in cost terms and the latter for one fifth. The cost of the latter is therefore $23.9 million (one fifth of 119.5 million). An estimate is then needed of the UNDP share of the workload of all staff engaged in "mirrored" activities. To do this, data regarding theme groups and other inter-agency groups of 15 country teams were reviewed. Within these country teams, there were 104 chairs and co-chairs and of these, UNDP accounted for 26 and all others for 78. Thus, the UNDP share amounted to one quarter. It is therefore estimated that the cost of coordination to entities other than UNDP is three times that of UNDP mirrored costs, i.e., $71.7 million ($23.9 X 3).

[29] This estimate is based on a survey of UNDG-CEB and High-level Committee on Programmes-CEB working groups and other inter-agency processes and the average number and level of participants.

[30] For more details, see the background paper on the costs and benefits of coordination available from www.un.org/esa/coordination/dcpb_stat.htm.

operations activities rather than coordination activities. From that perspective, the above data may be said to overstate the costs of coordination;

(c) Thirdly, the UNDP data do not differentiate between development-related activities and humanitarian assistance. The above estimate of country-level coordination costs therefore overstates the costs of coordinating activities that are purely development related.

161. The conclusion of this analysis is that the costs of coordinating the United Nations development system remain modest compared with the total value of country programmable resources. There is some evidence that the United Nations needs to devote more resources to coordination. At the same time, there may be scope for realizing savings by streamlining the processes for preparing, monitoring and reporting on UNDAFs and country programmes.

2. Benefits

162. The benefits of coordination accrue mainly in the form of enhanced development effectiveness of United Nations programmes and greater efficiency in operations at the country level. These benefits are quite difficult to monetize and in many instances it may not be cost-effective to do so. United Nations country teams could instead make greater use of UNDAF evaluations, mid-term reviews and qualitative surveys to assess these benefits.

163. UNDAF evaluations, mid-term reviews and other reports have pointed to a wide variety of positive results from country-level coordination, including: stronger national ownership; reduced duplication; especially visible results in certain cross-cutting areas such as HIV/AIDS, the Millennium Development Goals and transition from relief to development; and reduced transaction costs as the result of joint operational initiatives.

164. The findings of UNDAF evaluations and mid-term reviews also suggest that the effectiveness of the United Nations development system at the country level continues to be affected by fragmentation and duplication of efforts. These reports further point out that considerable coordination efforts have been invested in the preparation of UNDAFs in many programme countries, while their implementation, including the monitoring, evaluation and reporting on results, has attracted less attention.

165. Furthermore, UNDAF evaluations, mid-term reviews and other reports point out that United Nations agencies continue to provide incentives for staff to prioritize their own programming and reporting, including through results-based management and reporting systems established by the respective governing bodies. Thus, the accountability of the United Nations system as a whole for the delivery of system-wide results at the country level remains weak. Progress in promoting system-wide coherence at the country level, according to the reports, often seems to depend more on the personal commitment of key individuals rather than specific agency policies.

166. The following are suggested as possible next steps:

(a) **The Secretary-General could be requested to conduct every four years a thorough analysis of the costs and benefits of coordination of operational activities for development of the United Nations system as part of the preparations for the quadrennial comprehensive policy review. This**

assessment could supersede the current annual reporting on the costs and benefits of the resident coordinator system and could include a workload survey of the time spent by United Nations staff at the country level on coordination activities, replacing or supplementing similar initiatives of individual agencies;

(b) The UNDG/Development Operations Coordination Office, in cooperation with the Department of Economic and Social Affairs, could be requested to develop a set of indicators to annually assess progress in furthering programme and operational coordination at the country level;[31]

(c) The UNDG/Development Operations Coordination Office could be requested to change the standard terms of reference for UNDAF evaluations and mid-term reviews to include the following questions:

- **What were the concrete results of UNDAF which would not have been achieved if agencies had acted separately?**
- **How effectively did specialized agencies, including non-resident agencies, participate in the UNDAF process?**
- **What has been the impact of UNDAF on transaction costs faced by United Nations agencies, Governments and other partners?**
- **What impact has the Harmonized Approach to Cash Transfers had in reducing country-level transaction costs for programme country Governments and United Nations entities?**
- **What results have been achieved through coordination initiatives in the operations area, and did the benefits outweigh the costs?**

(d) Considering that the last comprehensive evaluation of the common country assessment-UNDAF process was conducted for the General Assembly's 2004 triennial comprehensive policy review, the Economic and Social Council may wish to consider requesting the Secretary-General to arrange for a follow-up assessment as part of the preparations for the 2012 quadrennial comprehensive policy review.

[31] The UNDG/High-level Committee on Management high-level mission in March 2010 recommended that resident coordinators/United Nations country teams be empowered to establish targets and context-specific "efficiency indicators" which should become part of the performance appraisal of United Nations country teams, including the operations management teams and their subgroups. Some of the data for such assessments are already available with the UNDG/Development Operations Coordination Office as part of submissions of annual reports of resident coordinators. The UNDG/Development Operations Coordination Office had earlier announced plans to create such a database. The development of coordination indicators would facilitate the estimation of benefits from coordination, particularly with regard to operations.

Annex I

Technical note on definitions, sources and coverage

For the purposes of the present report, the United Nations development system is defined as the 36 entities[a] that reported funding for operational activities for development in 2009 (this does not include the Bretton Woods institutions).

Among the entities that constitute the United Nations development system there has been no commonly agreed definition of key terms such as "operational activities for development" and "contributions".

This report begins to address this shortcoming by defining operational activities for development as those activities of the United Nations development system entities which promote the sustainable development and welfare of developing countries and countries in transition. They cover both longer-term development-related activities as well as those with a humanitarian-assistance focus and relate to the work of those United Nations funds, programmes, specialized agencies, departments and offices which have a specific mandate in this regard.

Expert meeting on system-wide reporting on funding

To foster greater coherence and appreciation of the role and value-added of system-wide reporting on funding, the Department of Economic and Social Affairs, in cooperation with the secretariat of CEB, organized an expert meeting in January 2011 with the participation of a cross-section of United Nations entities as well as OECD/DAC.[a] The specific objective of the meeting was to establish a road map for rationalizing, streamlining and strengthening system-wide reporting on funding flows based on an understanding of current strengths, weaknesses and opportunities from the perspective of stakeholders both internal and external to the United Nations system. The meeting agreed on the need to further exploit overlaps and commonalities relating to data and information requirements, collection processes, and management and accessibility of data and information. Furthermore, the meeting concluded that the topic of system-wide reporting should become a more regular item for discussion in inter-agency forums. In this regard, system-wide reporting is a vehicle by which harmonization of relevant concepts, policies and practices can be pursued in a practical manner. The Department of Economic and Social Affairs and CEB are actively following up on the outcome of the meeting.

[a] A summary of the expert meeting is available from www.un.org/esa/coordination/dcpb_stat.htm.

[a] ECA, ECE, ECLAC, ESCAP, ESCWA, FAO, IAEA, ICAO, IFAD, ILO, IMO, ITC, ITU, UNAIDS, UNCTAD, UNODC, Department of Economic and Social Affairs, UNDP (including UNV, UNIFEM and UNCDF), UNEP, UNESCO, UNFPA, UN-Habitat, UNHCR, UNICEF, UNIDO, Office for the Coordination of Humanitarian Affairs, UNRWA, UNWTO, UPU, WFP, WHO, WIPO, WMO.

The specialized agencies have adopted coefficients to measure the share of assessed or regular budget contributions considered to be for operational activities for development based on consultations with OECD/DAC. For agencies such as UNIDO, WHO, ILO, UNESCO and FAO, this share is very significant (see table 1).

Table 1
Percentage of assessed or regular budget contributions of specialized agencies defined as being for operational activities for development

Entity	*Percentage*
FAO	51
IAEA	33
ICAO	0
ILO	60
IMO	0
ITU	18
UNESCO	60
UNIDO	100
UNWTO	0
UPU	16
WHO	76
WIPO	3
WMO	4

Many United Nations entities do not use the terms "core" and "non-core" when classifying contributions. For example, WFP uses the terms "multilateral contribution" and "directed multilateral contribution" to define "core" and "non-core" resources, respectively. UNHCR uses the terms "unrestricted", "tightly earmarked" and "lightly earmarked" to classify its contributions.

Specialized agencies have assessed contributions or a regular budget which is supplemented by "extrabudgetary resources". For system-wide reporting purposes, all the above terms are grouped under "core" and "non-core" resources, with the former referring to unearmarked funding that is used at the sole discretion of the respective United Nations entity and its governing board, and the latter meaning earmarked funding that is directed by donors towards specific locations, themes, activities and operations.

Harmonization of the terms "core" and "non-core" within the United Nations development system is difficult to achieve owing to the different business models adopted by funds, programmes and specialized agencies. Instead, a more pragmatic approach is proposed wherein these terms are mapped (see table 2) against those used in the present report so that it is clear how they relate to each other.

Table 2
Terms used by different entities for core and non-core contributions

Core	*Entity*	*Non-core*	*Entity*
Regular resources	UNDP,[a] UNCDF, UNIFEM,[b] UNV, UNICEF, UNFPA	Other resources	UNDP, UNCDF, UNIFEM, UNV, UNICEF, UNFPA
Multilateral contribution	WFP	Directed multilateral contribution	WFP
Regular budget	UNRWA, UNDESA, UN-Habitat, UNCTAD, ITC	Projects and emergency appeals	UNRWA
Unearmarked contribution	UNHCR,[a] OCHA,[a] IFAD	Earmarked contribution	IFAD, OCHA, UNEP, UN-Habitat
		Tightly earmarked	UNHCR, OECD/DAC
		Lightly earmarked	UNHCR, OECD/DAC
Environment Fund	UNEP[a]		
Core resources	UNAIDS, OECD/DAC	Extrabudgetary contribution	UNAIDS, UNCTAD, Department of Economic and Social Affairs, ITC, FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNIDO, UPU, UNWTO, WHO, WIPO, WMO, ECA, ECE, ECLAC, ESCAP, ESCWA
General purpose fund	UNODC[a]	Special purpose fund	UNODC
Assessed budget	FAO, ICAO, ILO, ITU, UNESCO, UNIDO, UPU, UNWTO, WHO, WIPO, WMO, ECA, ECE, ECLAC, ESCAP, ESCWA		
Technical Cooperation Fund	IAEA,[a] IMO[a]		

[a] Also receives a regular budget contribution.
[b] Has since become part of UN-Women.

Data on contributions and expenditures are obtained directly from United Nations funds and programmes (UNDP (including UNDP-administered funds, i.e., UNCDF, UNIFEM and UNV), UNEP, UNFPA, UNHCR, UNICEF, WFP, UNCTAD, ITC, UN-Habitat, UNODC and UNRWA), IFAD, UNAIDS, the Department of Economic and Social Affairs, the regional commissions and specialized agencies (FAO, ICAO, ITU, ILO, UNESCO, UNIDO, WHO, IAEA, IMO, UNWTO, UPU, WIPO and WMO). Data on the contributions and expenditures of the Office for the Coordination of Humanitarian Affairs are gathered using its annual report. Data on official development assistance are derived from OECD/DAC annual reports. Data on multi-donor trust funds were obtained directly from the UNDP Multi-Donor Trust Funds Office.

In this report, the term "real terms" refers to constant 2008 United States dollars computed using the OECD/DAC deflators which take into account both inflation and exchange rate movements.

Data on contributions refers to actual funding for operational activities for development received in a given calendar year from Governments and other public and private sources by organizations in the United Nations system. Data on resource transfers from one agency of the system to another are excluded wherever possible. Data on expenditures represent the support provided by the organizations of the United Nations system for operational activities for development in developing countries. Contributions and expenditures are expressed in current United States dollars, unless otherwise stated.

The designations employed and the presentation of the information in the report do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term "country" as used in the report also refers, as appropriate, to territories or areas. A hyphen between dates representing years signifies the full period involved, including the beginning and end years.

Annex II

Differences in Organization for Economic Cooperation and Development/Development Assistance Committee and United Nations system reporting

There are a number of important differences between the way the United Nations and OECD/DAC define, classify and report contributions to the United Nations system. The use of different definitions and classifications by the United Nations and OECD/DAC means that the United Nations contributions data cannot be compared with the OECD/DAC official development assistance data without considerable double counting.

In United Nations statistics, both core and non-core funding from Governments to the United Nations system are classified as contributions to the United Nations for its operational activities. OECD/DAC classifies only core contributions from Governments as multilateral aid to the United Nations system, while non-core contributions, sometimes called "multibilateral" assistance, are classified as bilateral aid.

The United Nations includes non-core contributions in its estimates because it considers the purposes of both core and non-core Government contributions to the United Nations system to support its operational activities. OECD/DAC classifies non-core contributions to the United Nations system as bilateral aid because it considers the use of such funds to be effectively under the control of the donor Governments, with United Nations entities serving as a channel of delivery for those funds, as opposed to being recipients, of aid.

This difference in the treatment of non-core contributions is the single most important difference in reporting on the operational activities for development of the United Nations system by the two organizations. This different treatment of non-core resources includes local resources contributions, which are not defined as aid flows by OECD/DAC since these resources do not constitute a flow of development funding from one country to another.

United Nations figures on contributions to operational activities for development are more comprehensive than the ones provided by OECD/DAC as they include funding from all non-OECD/DAC countries, whereas OECD/DAC reporting is limited to those countries that officially submit such reports to DAC. This means that the figures from OECD/DAC on contributions to the United Nations development system exclude a number of large non-OECD/DAC countries.

The United Nations reporting also includes contributions from non-governmental organizations and private organizations, while OECD/DAC records them under the category of private flows (i.e., not official development assistance), and those extended to the United Nations cannot be separately identified.

There are also other reporting differences, including on contributions to the United Nations system for multi-donor trust funds, which are still reported by OECD/DAC mainly as bilateral aid but are included in the United Nations financial statistics. It is not only a classification problem, but also a timing problem. For example, when a donor contributes money to a multi-donor trust fund, it is recorded

as a disbursement by that donor (and thus by OECD/DAC) at the moment the donor makes the contribution to the United Nations administrative agent. However, there may be a delay before the United Nations administrative agent actually transfers the funds to the implementing United Nations agency. Only at the time the funds are transferred to the participating agent are they recorded as income by the United Nations.

In the below table, an attempt is made to reconcile the summary figures for core, non-core and total contributions to the United Nations development system and presented in the present report with those published by OECD/DAC. As the table shows, the figures of the Department of Economic and Social Affairs and those of OECD/DAC could not be fully reconciled. Accordingly, the Department will work with OECD/DAC to further improve the accuracy of this reconciliation in next year's funding report.

Reconciliation of United Nations and OECD/DAC reporting on contributions for operational activities for development in 2009

(Billions of current United States dollars)

	2009 contributions		
	Core	*Non-core*	*Total*
Reported by the United Nations	**5.959**	**15.913**	**21.872**
Non-DAC contributions not reported by OECD/DAC	(0.336)	(0.344)	(0.680)
Local resources not reported by OECD/DAC		(1.255)	(1.255)
Non-governmental organization and private contributions not reported by OECD/DAC		(0.895)	(0.895)
Resources funnelled to Group of Eight countries not reported by OECD/DAC		(0.055)	(0.055)
Multi-donor trust funds contributions reported by OECD/DAC but not the United Nations		0.500	0.500
Not elsewhere classified	0.010	(0.336)	(0.326)
Not reconciled	0.608	(1.065)	(0.457)
Reported by OECD/DAC[a]	**6.241**	**12.463**	**18.704**

[a] *Source*: OECD/DAC statistics, DAC table 1 and OECD Creditor Reporting System.

Annex III

List of tables posted on the website of the Development Cooperation Policy Branch of the Office for Economic and Social Council Support and Coordination*

A. Contributions for operational activities for development

1. Contributions by entity: 2004-2009
2. Contributions by entity, core and non-core resources: 2004-2009
3. Top 50 contributing Governments to development-related activities: 2009
4. Contributions by all sources, core and non-core resources: 2009
5. Contributions by non-OECD/DAC countries, core, non-core and local resources: 2009

B. Expenditures on operational activities for development

1. Expenditures by entity: 2004-2009
2. Top 50 programme countries of the United Nations development system: 2009
3. Expenditures on all programme countries: 2009
4. Expenditures by region: 2009
5. Expenditures in least developed countries: 2004-2009
6. Expenditures in sub-Saharan Africa: 2004-2009
7. Expenditures by sector: 2009

C. Multi-donor trust funds administered by UNDP

1. Donor contributions received by the UNDP Multi-Donor Trust Funds Office: 2004-2009
2. Funds transferred to participating organizations by the UNDP Multi-Donor Trust Funds Office: 2004-2009

D. Country classifications

1. List of least developed countries
2. List of countries by region
3. List of countries by income group

* See www.un.org/esa/coordination/dcpb_stat.htm.

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